

OFFICE OF FINANCIAL MANAGEMENT

2005-07 OPERATING AND CAPITAL ALLOTMENT INSTRUCTIONS

BUDGET DIVISION

MAY 2005



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About the Instructions

The instructions describe the requirements for allotments and related processes

These instructions outline agency requirements for preparing and submitting:

- Initial allotments operating and capital
- Allotment amendments operating and capital
- Major capital project and other capital allotment requirements
- Performance measures
- Savings incentive program information
- Activity inventory updates

Look for the sign to find required items

Use this symbol to help you find allotment submittal requirements quickly.

Look for the sign for new or changed items

We've used this symbol to flag any requirements or tools that are new or changed from last biennium's instructions.

- Agencies will continue to build on the new activity-based approach to performance measurement and will use the new Performance Measure Tracking System for submitting performance measure estimates and actuals to OFM. See Chapter 4 for more information. Please contact Vicki Rummig, vicki.rummig@ofm.wa.gov for training on the new system.
- This year agencies will update their activity inventory to reflect the enacted budget by simply recasting the enacted budget total in the Budget Development System (BDS). See Chapter 4 for more information. Please contact Vicki Rummig, vicki.rummig@ofm.wa.gov, for BDS training.
- Agencies sometimes need to temporarily record an expenditure before they know the correct appropriation to be charged.
 Agencies must now use an OFM-designated suspense code for these temporary accounting needs. See Section 1.3 for more information.

About the Instructions

New Expenditure Authority Schedule replaces the former appropriation schedule

• The new Expenditure Authority Schedule will now include all elements of an agency's expenditure authority (except approved unanticipated receipts, which will be added in a future release) including appropriations, allocations, and nonappropriated control totals. Agencies will now be able to access their own schedule reports through Enterprise Reporting.

This is the first component of The Allotment System (TALS), the new system scheduled for completion in 2007. If you have questions about the TALS project, please contact Sara Lieberman at sara.lieberman@ofm.wa.gov.

Schedule of major allotment-related events

For general planning purposes, a schedule of the major due dates and requirements for allotments and other processes covered by these instructions is provided on the next page.

Schedule of Major Allotment-Related Dates and Requirements

| Events | Due Dates | Requirements |
|--|---|--|
| Budget format restructure requests due to OFM | May 9, 2005 | April 15, 2005 memo on Proposed Budget Format Changes on OFM website: Proposed Budget Format Changes memo Instructions provide information on deadlines for the revised ten-year history database to match requested program structure changes |
| Capital project monitoring report updates, including FTE updates | June 30 each year | Section 5.2 Includes capital position/FTE list and updated Project lists and cost estimates (C100) |
| Major project reports to OFM and the legislative fiscal committees | Each July 1 and December 31 | Chapter 6 |
| Cash flow estimate for bond-funded capital projects to State Treasurer | July 20, 2005 | Section 5.5 |
| Initial allotments | July 29, August 5, or August 12, 2005. See Appendix A-1 | Chapter 2 – Initial Operating Allotments. Use packet number B001. Elements include: Expenditure authority by fiscal year Estimated expenditures by object, month and account Estimated revenue by month, account, major source and source Cash receipts by month, account, major source and source Cash disbursements by month and account FTEs by month and account (GFS and all other) Allotment summary (01S) Chapter 5 – Initial Capital Allotments. Use packet type C. Elements include: Initial expenditure, cash and revenue allotments Updated project lists (C2) and cost estimates (C100) Reappropriations Updated FTE information |
| Statutory deadline for initial allotment submittal to OFM | August 15, 2005 | |
| Performance measure estimates for 2005-07 submitted to OFM | August 26, 2005 | Chapter 4 |
| Annual facility maintenance summary report | September 1 each year | Section 5.7 |
| Recast the enacted budget by activity | Due with initial or first supplemental allotments | Chapter 4 |
| Last day for OFM to approve initial operating allotment packages | Sept. 28, 2005 | |

| Events | Due Dates | Requirements |
|--|--|--|
| Performance measure first quarter actuals due to OFM | October 31, 2005 | Chapter 4 |
| Quarterly operating expenditure revisions | No later than the 25 th of the months of October, January, April, and July | Chapter 3 Use packet type S. Submit supporting explanation via electronic form on OFM website. Include estimated expenditures by object, month and account. Include revised cash receipt, disbursements and revenue |
| Revenue allotment amendments | No later than the 25 th of the month | Chapter 3 Use packet type R. Submit with updated revenue forecasts, and other times when revenue estimates change. Submit supporting explanation via electronic form on OFM website. Revenue by month, account, major source and source |
| Cash receipt and disbursement amendments | No later than the 25 th of the month | Chapter 3 Use packet type D. Submit whenever cash receipt and disbursement estimates change. Submit supporting explanation via electronic form on OFM website. Cash receipts by month, account, major source and source Cash disbursements by month and account |
| Unanticipated receipt allotment amendments (Operating) | No later than the 25 th of the month (no later than 6/22 for June amendments) | Chapter 3 Use packet type U. Must submit Unanticipated Receipt Request (B20-1) as well as companion revenue, cash receipt and cash disbursement allotment packets. |
| Capital allotment amendments | No later than the 25 th of the month | Chapters 5 and 6 Use packet type C for capital amendments and unanticipated receipts. Also submit forms A-1 or A-2 for allotment of design and construction funds for major projects. |
| Allocation allotment amendments | No later than the 25 th of the month | Chapter 3 Use packet type A for special allocations. (Use A6XX for savings incentive allocations.) |
| Allotment amendments for supplemental budget changes | April/May 2006 Or May 2007 | Chapter 3 • For 2006 Supplemental budget, use packet numbers in the L6XX series. • For 2007 supplemental budget, use packet numbers in the L7XX series. Include amendments for appropriation, expenditure, revenue, cash receipts and disbursements as appropriate. |



Chapter 1

Allotment Basics

1.1 What are allotments?

Allotments are detailed plans of the enacted budget

Allotments are detailed plans of the scheduled revenues and expenditures authorized in the budget and the related cash receipts and disbursements. An agency's actual spending will be monitored against the allotments by the agency, OFM, the Legislature, and the public. Allotments must:

- Conform to the terms, limits, or conditions of legislative appropriations.
- Serve as the agency's best estimate of the money it will spend and the revenue it will collect each month and year of the biennium.
- Provide the agency's best estimate of expected cash flows by month.

Allotments support good financial management

Allotments enable the executive and legislative branches to monitor an agency's actual spending compared to its spending plan. This monitoring helps prevent over-expenditure and helps improve the assumptions upon which budgets, spending plans, and other financial decisions are based. Allotments enable the state to take advantage of the expected pattern of state spending for the timing of bond sales and state-level cash management.

Allotments and allotment controls help ensure that:

- Appropriations are used for purposes that meet legislative intent.
- Sufficient funds exist to allow the state to incur financial obligations.
- Potential fund balances are identified and understood before they are placed in reserve or unallotted status.
- Changes in the original budget assumptions are communicated and understood.

OFM and agencies monitor variances

OFM will monitor actual expenditures against allotments and post monthly fiscal status reports on the OFM website at http://www.ofm.wa.gov/budget/fiscalstatus/intro.htm. We expect agencies to monitor variances and to take management action as appropriate. Administering agencies should regularly track the fiscal health of accounts for which they are responsible. Agencies can order a variety of AFRS Administering Agency reports to assist in this effort.

1.2 What are the required components of allotments?

The required allotment data elements

Allotments, and allotment amendments, must contain the following fiscal data elements:

- Annual or biennial appropriation amounts.
- Monthly estimated expenditures for each program by object and expenditure authority code. (The Department of Social and Health Services and the Department of Corrections must provide this data at the subprogram level when appropriations are made at this level.) Agencies may create allotments lower than the required levels if they wish, though this data will not be sent to OFM.
- Monthly estimates of FTEs separated into General Fund-State (GF-S) and Other Funds.
- Monthly estimates of revenue by major group, major source, and account.
- Monthly estimates of cash disbursements by account. Cash disbursements for capital projects must be submitted by appropriation.
- Monthly estimates of cash receipts by account, major group, and major source.
- Portions of the agency's expenditure authority that the agency does not yet plan to spend must be reported in either unallotted or reserve status.

Packet types indicate allotment purpose

OFM and the Legislature have a need to view the allotments by purpose or type. The packet indicator in the allotment system provides this capability. All allotments submitted to OFM for approval must use the standard packet coding scheme: a leading alpha code as specified below, followed by three digits that represent a sequential numbering of agency allotments by packet type.

For example, the initial allotment is submitted as Packet B001; the first unanticipated receipt as U##1, the second unanticipated receipt packet is U##2. Do not use packet numbers that end in 000.

These are the appropriate packet types:

B Initial base operating allotment statement (B001) with initial expenditure estimates, cash receipt and disbursement estimates, and revenue estimates.

- A Allocations, including Governor's Emergency Fund, Retrospective Rating Refund, Savings Incentive, and any other special allocations.
 - Use the **A6XX series** for Savings Incentive allocations.
- C Capital projects (both appropriated and unanticipated receipts).
 - Use C001 C899 for alpha packets (official OFM allotments).
 - C900 C999 are for numeric packets (APS agency use only).
- **D** Cash receipt and/or disbursement adjustments. Submit the initial cash estimates in packet B001 and in initial capital packets. Submit subsequent adjustments in a D packet.
- **G** Governor-directed allotment reductions, as a result of cash deficits.
- L Legislative changes, such as the supplemental budget and provisos that result in appropriation adjustments.
 - Use the **L600** series for the 2006 Supplemental Budget.
 - Use the **L700 series** for the 2007 Supplemental Budget.
- **S Quarterly allotment expenditure revisions.** Agencies may make quarterly adjustments to expenditure allotments.
 - Use the **S100 series** for amendments due October 25, 2005.
 - Use the **S200 series** for amendments due January 25, 2006.
 - Use the **S300 series** for amendments due April 25, 2006.
 - Use the **S400 series** for amendments due July 25, 2006.
 - Use the **S500 series** for amendments due October 25, 2006.
 - Use the **S600 series** for amendments due January 25, 2007.
 - Use the **S700 series** for amendments due April 25, 2007.
- **R Revenue adjustments**. Submit the <u>initial</u> revenue estimates in Packet B001 and in initial capital packets. Submit subsequent revisions in R packets.
- U Unanticipated receipts (operating only).
- # Internal Agency Management Allotments. These are not submitted to OFM. Do not use packet numbers that end in 000.

1.3 Allotment Control Numbers

New, improved Expenditure Authority Schedule will be available

The new Expenditure Authority Schedule will enable agencies to see all components of their budgeted expenditure authority (except approved unanticipated receipts, which will be added in a future release) including appropriations, allocations, nonappropriated account constraints, and other elements. Agencies will be able to access this schedule at any time and identify how elements have been adjusted over the biennium. The new schedule will be available to agencies soon after the Governor signs the omnibus operating, transportation, and capital budget bills and any other legislation with appropriations.

Agencies can access their schedules through the Enterprise Reporting System at http://reporting.ofm.wa.gov. For fortress users, the Internet website address is https://fortress.wa.gov/ofm/reporting/.

The agency's allotments must match the Expenditure Authority Schedule control totals

Total allotments for each expenditure authority code – that is, the total dollars in allotted, unallotted, and reserve status – must equal the total expenditure authority amount shown for that code on the OFM Expenditure Authority Schedule.

• Nonappropriated amount constraints

Nonappropriated amounts should not exceed total available resources (beginning fund balance on July 1, 2005 plus estimated 2005-07 revenues). Initial allotments for nonappropriated funds should match the amount contained in the Expenditure Authority Schedule unless an alternative level of funding is approved by the agency's OFM analyst. Contact your OFM analyst to discuss any proposed alternative.

OFM now requires that agencies use certain expenditure authority codes for suspense accounts

Agencies sometimes need to temporarily record an expenditure before they know the correct appropriation to be charged or when and whether federal reimbursement will pay for the expenditure. In the past, agencies have used various methods to address this need. For example, some agencies record the expenditures using a valid expenditure authority code for an account with a large appropriation, then moving the expenditures to the correct account and expenditure authority code when known. Sometimes these adjustments are not made until the end of the fiscal year or biennium.

Many of these practices make it difficult for agencies, OFM, and the Legislature to monitor expenditures because some accounts or appropriations incorrectly appear to be overspent or underspent.

In order to provide accurate and timely information to OFM and the

Legislature to monitor agency expenditures against their spending plans, OFM has established the following policy:

- Upon request, OFM will assign suspense expenditure authority codes to agencies, using different codes for different accounts and types (i.e., state, federal, and private/local) as needed.
- Agencies are required to use these codes for such temporary accounting needs and should move expenditures out of the suspense code and into the proper code and account the following month, or as soon as possible.

1.4 Other preparation requirements

Statutory requirements

The Budget, Accounting, and Reporting System Act, RCW 43.88, outlines the legal authority and responsibility of the Governor and the Office of Financial Management to allot public funds. Key provisions include:

- Except for legislative and judicial agencies and those headed by elected officials, the Governor shall review expenditure plans for reasonableness and conformance with legislative intent.
- All public funds are subject to allotment unless specifically exempted by the Director of OFM. (See separate OFM memorandum that will be sent in June 2005.)
- After initial approval, expenditure plans can only be revised for changes in assumptions each quarter, for legislative changes in appropriation levels, or for across-the-board reductions mandated by the Governor.
- Expenditure allotment revisions may not be made retroactively.
- Whenever any money from the federal government, local government, or private sources is received for a specific purpose and there is no existing expenditure authority (or insufficient expenditure authority), the head of the agency must submit a request for expenditure authority to OFM. (See Section 3.5 Unanticipated Receipts)

Although the allotment represents an official expenditure plan, the appropriation is the maximum legal authority for obligation of funds. No agency is permitted to over-expend or over-encumber any appropriation, or to expend funds contrary to the conditions placed on that appropriation by the Legislature. The fiscal responsibilities of

state officers and employees are stated in RCW 43.88.260 through RCW 43.88.320.

GAAP requirements for allotments

Submit expenditure and revenue allotments for budgeted governmental funds on a Generally Accepted Accounting Principles (GAAP) modified accrual basis of accounting. This basis recognizes expenditures when the account liability is incurred, if measurable, and revenues in the period in which they become available and measurable. (See the State Administrative and Accounting Manual (SAAM) 80.20.50.b for more information about the modified accrual basis.) The following are exceptions:

- Alloting budgeted loans as expenditures when disbursed and repayments as revenues when received.
- Alloting capital leases as expenditures when paid.
- Federal food commodities and food stamps are not allotted.

Omit encumbrances from OFM allotments

Encumbrances are obligations for goods, materials, and services that have been ordered but not received by the end of the accounting period. Do not include encumbrances in the operating and capital allotments sent to OFM. Agencies are permitted and encouraged to make use of encumbrances in their accounting transactions as appropriate. For definitions of encumbrances, expenditures, and accruals, please see the State Administrative and Accounting Manual at http://www.ofm.wa.gov/policy/SAAMintro.htm)

Allotment requirements for proprietary and trust funds

Submit expenditure allotments only for the budgeted portion of proprietary funds. Allot only the portion of revenues that pertain to these budgeted expenditures. However, agencies allotting revenue for accounts from which other agencies spend must allot sufficient revenue to cover the other agencies' authorized spending.

Agencies may develop additional spending plan views

We understand that agencies may need alternative spending plan views suited to specific agency management purposes. Agencies may create additional spending plan views through the allotment systems by preparing agency-use adjustment packets that can be combined with the OFM-approved allotments in reports. These agency-use packets should be given a numeric packet code (#0001 through #9999). These packets will not be forwarded to OFM for review and approval.

1.5 What are the due dates?

Statute sets deadlines for initial allotment submittal and approval

Agencies must submit proposed expenditure plans within 45 days after the beginning of the fiscal period, or within 45 days after the Governor signs the omnibus appropriations bill, whichever is later. To help with workflow, OFM has established staggered due dates for the initial allotment. Appendix A-1 lists the due dates for each agency.

OFM must enter approved expenditure plans into the state budget, accounting, and reporting system within 45 days after receipt.

Due dates for allotment amendments can be found in the table on pages 3 and 4.

1.6 What are the submittal requirements?

Documents and information required with allotment submittal

The basic submittal requirements are listed in the table on pages 3 and 4. More detailed submittal requirements for each type of allotment are found in the following sections.

Mailing address for allotment forms and unanticipated receipts

Operations-Allotment Control OFM Budget Division

MS: 43113

Note: Forms for the narrative explanation of allotment amendments will be sent automatically to the assigned budget analyst and allotment control by email.

1.7 Systems available for submitting required allotment data

Two systems are available

There are two allotment preparation systems available to agencies— The Allotment Preparation System (TAPS) and Allotment Preparation System (APS). Agencies must use these systems to submit allotment data to OFM, except where noted below.

- The Allotment Preparation System (TAPS)
- TAPS provides on-line, interactive preparation functions for some state agencies. TAPS also provides a means for agencies with their own allotment preparation systems to submit that data to OFM.
- Allotment Preparation System (APS)

The OFM Accounting Division also provides allotment preparation services to agencies that can make use of that system's enhanced reporting capabilities, but do not require batch input or other nonstandard interfaces.

For more information or assistance about these systems or related training, please contact:

TAPS/APS - OFM Accounting Division Art Overman, (360) 725-5271, <u>art.overman@ofm.wa.gov</u>, or the BASS Help Line at (360) 725-5278

1.8 Resources

For questions on:
Allotment procedures
and policies

Contact the OFM Budget Analyst assigned to your agency. (See list at

http://www.ofm.wa.gov/assign/assign4.htm) or

Monica Jenkins, Budget Operations, (360) 902-0561, monica.jenkins@ofm.wa.gov

• Expenditure Authority schedules

Contact Linda Swanson, Budget Operations, (360) 902-0541, linda.swanson@ofm.wa.gov

 Performance measure requirements Contact Lynne McGuire, Budget Operations, (360) 902-0581, lynne.mcguire@ofm.wa.gov

• Activity inventory

Contact Lynne McGuire, Budget Operations, (360) 902-0581,

lynne.mcguire@ofm.wa.gov

or

Linda Swanson, Budget Operations, (360) 902-0541,

linda.swanson@ofm.wa.gov

• Savings incentive program

Contact Pam Davidson, Budget Analysis, Research and Compensation, (360) 902-0550, pam.davidson@ofm.wa.gov

Other References

- Budget, Accounting, and Reporting Act RCW 43.88
- Unanticipated Receipts; Savings Incentive Program RCW 43.79
- State Administrative and Accounting Manual http://www.ofm.wa.gov/policy/SAAMintro.htm



Chapter 2

Preparing Initial Allotments

2.1 About the initial allotments

What is the purpose of the initial allotments?

The initial allotment represents the agency's initial spending plan for the legislative budget. At this point in the biennium, it's assumed that there will be little change from legislative assumptions about basic expenditure patterns, supporting revenues, and program outcomes.

What do they include?



The initial allotments include:

- The agency's plan for the 2005-07 Biennium for monthly revenue and expenditures based on the terms, limits, conditions and original assumptions in the legislative appropriations and budgets.
- The related monthly plan of cash receipts and disbursements.

When are they due?



The initial operating allotment packet (B001) is due July 29, August 5, or August 12, 2005, as specified in Appendix A-1. Initial capital allotments are due at the same time as the agency's initial operating allotment.

When will they be approved and available in AFRS?

OFM will review and approve the allotments in its Allotment Review System as soon as possible within the statutory deadline of 45 days. We encourage agencies to use the checklist in Section 2.10 to minimize technical errors that can delay the approval process. The allotments are transferred to the Agency Financial Reporting System (AFRS) after approval. Once all agency allotments are approved, OFM will send each agency an allotment status report that reflects OFM approval of the initial B001 packet.

2.2 General requirements for the initial allotment submittal

Use a B001 Packet Indicator for all initial operating allotments

Use the B001 packet number for all initial allotment elements including expenditures; cash receipts and disbursements; FTEs; and revenue estimates.

Use the appropriate transaction code for each allotment component

The TAPS and APS systems require users to enter the proper transaction code for each allotment transaction to ensure the data is properly reflected in AFRS. These transaction codes are provided below. Please refer to the documentation for TAPS and APS for more detailed instructions and sample forms.

Allotment Transaction Codes by Preparation System

| | TAPS | | | APS |
|--|-------------------|---------|--------------|--------------|
| | Option 1 Option 2 | | | |
| Transaction Description | Source of | Objects | Full Account | |
| | Funds | | Code | |
| ADDDODDIATIONS | | | | |
| APPROPRIATIONS | 700 | | 700 | 04 . |
| Establish or increase appropriations | 700 700R | | 700 700B | S1 + S1 - |
| Abolish or decrease appropriations | 700R | | 700R | 51 - |
| EXPENDITURES | | | | |
| Increase allotted from unallotted | 702 | 703 | 702 | D1 + |
| Decrease allotted to unallotted | 704 | 705 | 704 | D1 - |
| Decrease allotted to reserve | 706 | 707 | 706 | D2 + |
| Increase allotted from reserve | 708 | 709 | 708 | D2 - |
| Increase reserve from unallotted | 710 | | 710 | S2 + |
| Decrease reserve to unallotted | 711 | | 711 | S2 - |
| Lapse allotment | 712 | 713 | 712 | D3 + |
| Lapse unallotted | 714 | | 714 | S3 + |
| Lapse reserve | 715 | | 715 | S4 + |
| CASH DISBURSEMENTS | | | | |
| Establish or increase estimated cash | 906 | | 906 | DC + |
| Abolish or decrease estimated cash | 906 R | | 906 R | DC - |
| ENCUMBRANCES – Do not allot encur | nbrances. | | | |
| FTES | | | | |
| Establish or increase estimated FTEs | 730 | | 730 | D1 + |
| Abolish or decrease estimated FTEs | 731 | | 731 | D1 - |
| | | | | |
| REVENUE AND CASH RECEIPTS | | | | |
| Establish or increase estimated revenue | 733 | | 733 | RC + |
| Abolish or decrease estimated revenue | 733 R | | 733 R | RC - |
| Establish or increase estimated receipts | 905 | | 905 | RD+ |
| Abolish or decrease estimated receipts | 905 R | | 905 R | RD - |

The OFM-01S form summarizes the initial allotment request

The OFM-01S form is automatically produced by the allotment system (APS/TAPS). Agencies do not need to send a hard copy to OFM. Please note and double check the following items:

A. Personnel Summary: These FTE totals should match the totals in the BASS enacted budget version of agency budgets unless the OFM budget assistant approves an exception.

FTE totals should match legislative FTE totals

- Explain any amounts in reserve or unallotted status
- **B.** Expenditures by Program: Use the allotment narrative form on the OFM Website at http://www.ofm.wa.gov/budget/forms.htm to provide your assigned budget assistant with an explanation for any amounts placed in reserve or unallotted status.
- Check allotments against the **Expenditure Authority Schedule**
- C. Expenditures by Account: Check the total allotment for each appropriation against the OFM Expenditure Authority Schedule. All dollars in the OFM Expenditure Authority Schedule must be included in the allotment submittal.

The initial allotment packet released to OFM must be complete

Please do not release the initial allotment packet to OFM until it is complete and contains all the required elements of the initial allotment packet. Agencies that allot subprograms cannot release packets until the submittal reflects a complete allotment at the agency level. (There are occasional exceptions to this rule for the initial allotment. Please contact Monica Jenkins, monica.jenkins@ofm.wa.gov, for approval of an alternative submittal approach.)

2.3 Preparing appropriation entries (Transaction Code TAPS=700, APS=S1)

Agency appropriations must be established in the allotment system first

The agency must first establish allotment appropriations to match the appropriation and allocation dollar amounts contained in the OFM Expenditure Authority Schedule. All appropriated and nonappropriated accounts must be established in unallotted status **before allotment or placement in reserve.** If the agency fails to establish the total amount authorized, OFM will require the allotment to be corrected. Transaction codes 700 and S1 automatically place the amounts in unallotted status.

General Fund-State appropriations and certain other appropriations are restricted by fiscal year General Fund-State appropriations and any other appropriations on the Expenditure Authority Schedule that have a specific fiscal year amount must be established in the fiscal year identified on the Expenditure Authority Schedule. The use of each year's appropriation is limited to the fiscal year for which it is appropriated. Any excess balance cannot be carried over from the first fiscal year to the second unless approved by the Legislature in a supplemental budget.

The Expenditure Authority Schedule also identifies other accounts by fiscal year, based on the fiscal year split in the legislative database. Agencies should explain significant differences in fiscal year splits from those assumed in the legislative budget database, using the allotment narrative form.

Use only approved appropriation and program codes

Agencies may use only appropriation codes that appear in the OFM Expenditure Authority Schedule or in the State Administrative and Accounting Manual (Section 75.50), and program codes used in the Governor's budget (as revised by the Legislature). OFM will assign all expenditure authority codes except for unanticipated receipts.

For unanticipated receipts the agency can select appropriation codes within the ranges displayed in Section 3.5 – Unanticipated Receipts.

2.4 Preparing FTE entries - (Transaction Code TAPS=730/731, APS=D1)

Record FTEs by month and fund source

FTEs represent the number of full-time equivalent staff months to be paid each month. List FTEs by one of two fund sources in the allotment: General Fund-State (001) and all other funds (996). Include General Fund-Federal, General Fund-Private/Local and all capital FTEs in the Other Funds (996) category.

Agencies may enter their FTEs in APS and TAPS by Appropriation Index (AI) for detailed reporting in AFRS. APS and TAPS will automatically summarize any AIs for FTEs to the Account 001 and Account 996 level when agencies release allotment packets to OFM.

FTEs do not need to be established in unallotted status before allotment.

Defining and calculating FTE staff months

A paid staff month of employment is defined as one full calendar month of paid employment (the equivalent of 174 paid hours), including callback, overtime, and replacement help while an employee takes compensatory time, and all paid leave.

To compute staff months for part-time positions or irregular hours, divide the number of paid hours by 174. The number of staff months should be entered with one decimal place.

How to allot FTEs and expenditures related to interagency agreements

Allotments are required for interagency agreements assumed in an agency's budget and must be included in the initial allotment packet, B001. The agency providing the funding should show expenditures in Object ER. The agency receiving the reimbursement should reflect the expenditures in the appropriate object(s) and the reimbursement in the appropriate sub-objects for Object S. The FTEs are assumed to be available in the agency receiving the reimbursement. However, if additional FTEs are required for the service delivery of these agreements, agencies are permitted to exceed their allotted FTE control number, provided notification is made to their assigned budget analyst. (Please use the allotment narrative form.)

If an agreement is made during the biennium, the agency should submit an allotment amendment (S packet) if the change is significant. If the agreement is the result of a supplemental budget, allotments should be made in the appropriate L packet.

2.5 Preparing allotment charges (expenditure) entries - (Transaction Code TAPS=702/703, APS=D1)

Provide monthly estimates of expenditure by object and account

The estimate of allotment charges represents the agency's best estimate as to how and when expenditures (disbursements, accruals, and loan distributions) will be incurred within the limits of the appropriation. Provide estimates of monthly expenditures by object. account and expenditure authority type.

Place expenditure authority not planned to be used in either unallotted or reserve status

Expenditure authority the agency does not yet plan to use must be placed in unallotted or reserve status. Reserve status applies to expenditure authority the agency does not expect to use because of circumstances such as Governor's across-the-board allotment reductions, technical corrections, or proviso compliance. Once funding is placed in reserve status, it usually is not allotted at a later time. Unallotted status is used to refer to expenditure authority not yet specifically scheduled, but which the agency expects to allot at a future time.

To the extent possible, amounts in unallotted or reserve status should be placed in the proper fiscal year. For those accounts appropriated by fiscal year, dollars unallotted in the first year cannot be moved to the second year once we are in the second year.

If later in the biennium the agency does schedule expenditures for the authority originally placed in unallotted status, the agency must submit an allotment amendment to move the authority from unallotted to allotted status.

Code expenditures to the correct objects

See the State Administrative and Accounting Manual, Section 75.70, for more information on object codes.

Allotment Reductions

Sometimes, rather than adjusting the individual agency appropriations, the Legislature includes a summarized allotment reduction in the appropriations bill. Usually found in the latter sections of the appropriations bill, the language often directs OFM to allocate the reduction to agencies on some basis. OFM may provide specific instructions for allotting these reductions once the bill is enacted. The instructions would describe the allotment reduction, the methods used to calculate the amount, as well as spreadsheets displaying specific amounts for each agency.

The table in Section 2.2 includes transaction codes to use for allotment reductions. Using these codes will place specified dollar amounts into reserve status.

2.6 Preparing estimated revenue entries - (Transaction Code TAPS=733,

Recognize revenue on the modified accrual basis

In accordance with Generally Accepted Accounting Principles (GAAP), revenues in governmental funds are recognized on the modified accrual basis; revenues are recorded when available and objectively measurable. "Available" means collectable within the current period or soon enough thereafter to be used to pay the liabilities of the current period. "Measurable" means the amount of the transaction can be determined. In proprietary and fiduciary funds, revenues are recognized on an accrual basis; they are recorded when earned and objectively measurable.

Revenue allotment requirements

Content

- Agencies should submit allotments for all the revenues they collect, even if those revenues are spent by other agencies.
- Provide monthly estimates by major source, source and by account – for all revenue, operating revenue transfers, and other sources, such as interest on repayment of loans.
 - Agencies often forget to include certain types of transfers (e.g., operating transfers and statutory transfers between accounts) in their revenue estimates. Any of these items that are material must also be allotted. Take special care to report both sides of each transfer between accounts, since they must net to zero.

Federal and private/local

Update revenue estimates for federal and private/local accounts to match expenditures authorized by the Legislature, or the amount expected, whichever is less. Revenue estimates for federal or private/local account sources should match expenditures in both the operating and capital budgets. There are a few exceptions where federal and private/local revenue and expenditures do not match. Please contact Mike Steenhout, Budget Operations, at (360) 902-0554 or mike.steenhout@ofm.wa.gov, before submitting exceptions.

What's excluded, included

The monthly revenue estimates for the 2005-07 Biennium should exclude revenue earned in 2003-05 even if the cash was received in the 2005-07 Biennium. (These cash receipt estimates, however, would be allotted in 2005-07.)

 Monthly revenue estimates for 2005-07 must <u>include</u> any revenue earned in 2005-07 but not anticipated to be received until 2007-09.

Forecast assumptions

• For those agencies with revenue subject to review by the Economic and Revenue Forecast Council or the Transportation Revenue Forecast Council, monthly estimates need to be consistent with the current forecast. For those agencies that prepare their own dedicated account forecasts, monthly estimates should be consistent with their current forecast. See Section 3.3 for a list of significant accounts subject to forecasts.

Source code restrictions

• The State Administrative and Accounting Manual (SAAM), Section 75.80, lists appropriate revenue source codes and titles.

Proprietary funds

Submit revenue allotments only for the budgeted portion of proprietary funds. Since expenses in proprietary funds are typically not fully budgeted, only the portion of revenues that pertain to the budgeted expenses should be allotted. These estimates must contain sufficient revenue for all agencies spending from the account, and must also cover compensation allocations if they are included in the budget

2.7 Preparing cash disbursement entries - (Transaction Code TAPS=906, APS=DC)

Cash allotments are critical for statewide cash management

OFM and the State Treasurer use cash disbursement and receipt allotments for statewide cash management. It is important that these allotments are the best possible estimates of the timing of cash flows. During tight budget times, cash management becomes a critical function. Accurate allotments can prevent unnecessary and costly cash management practices.

Because the cash disbursement allotments are presenting the best estimate of cash outflows, they do not need to equal the total appropriation.

Required elements of cash disbursement allotments

- Provide monthly cash disbursement estimates at the agency/account level only for operating packets; at the agency/account/appropriation level for capital packets. Do not show estimates for programs or objects.
- Include only those cash outlays reflected by warrants, journal vouchers, or electronic fund transfer transactions by the agency estimated to occur in a given month. This includes transfers out of operating funds to Payroll and Vendor Payment Revolving Accounts.

. For General Fund (001) cash disbursement estimates, provide a combined total of General Fund-State, General Fund-Federal, and General Fund-Private/Local. Do not record federal and private/local sources separately.

Developing cash disbursement estimates

We encourage agencies to consider their previous biennium cash actuals and historical trends when they develop these estimates. Expenditures and cash disbursements usually do not match exactly, although there is a relationship between them. Travel accrued in one month, for example, may be paid for (disbursed) in the next. The expected relationship between expenditures and cash allotments simply reflects the difference between when an expenditure/expense is incurred and when the agency pays for it, as illustrated below.

The example below illustrates a typical 30-day lag between expenditures and disbursements. Many agencies have business cycles that will not follow this model. Please consider your agency's unique patterns when compiling your cash allotments.

In agencies with mainly payroll expenses and no staffing changes, actual expenditures and cash disbursements are nearly equal on a monthly basis. This happens because disbursements, such as payroll made in the current month for salary expenses accrued in the prior month, are nearly equal to the accruals in the second half of the current month.

| Transaction | Expenditure Allotment Entry | Cash Disbursement Allotment Entry |
|------------------------------|---------------------------------------|-----------------------------------|
| Example: A chair is received | d in March, and is paid for in March. | |
| In March: | \$100 | \$100 |
| Example: A chair is received | d in March, and is paid for in April. | |
| In March: | \$100 | 0 |
| In April: | 0 | \$100 |

2.8 Preparing cash receipts entries - (Transaction Code TAPS=905, APS=RD)

Cash receipt estimates are required at the major source and source level

Cash receipts are defined as all monies received during the fiscal period irrespective of when (or if) the monies are earned. Cash receipt estimates are required at the agency, account, major group, major source, level of detail. The estimated cash receipts by revenue source code should tie to the official forecast for those agencies that report General Fund revenue to OFM or directly to the Economic and Revenue Forecast Council. As with revenue allotments, cash receipt allotments for federal and private/local funds should reflect the expenditure level authorized by the Legislature, or the amount

anticipated, whichever is less.

Developing cash receipts estimates

We encourage agencies to consider their previous biennium cash actuals and historical trends when they develop these estimates. While revenue allotments and cash receipt allotments are not usually equal, there is a relationship between the two. For example, taxes accrued in one month may be collected in the next. Generally, agencies that collect only licenses, permits or fees and do not often give refunds will display equal revenue allotments and cash receipt allotments.

The example below illustrates a typical 30-day lag between revenues and receipts. Many agencies have business cycles that will not follow this model. Please consider your agency's unique patterns when compiling your cash allotments.

| Transaction | Revenue Allotment | Cash Receipt Allotment |
|-------------------------|--|------------------------|
| Example: Taxes due in l | March and received in March. | |
| In March: | \$100 | \$100 |
| Example: Federal reimb | ursement earned in March, but received in April. | |
| In March: | \$100 | 0 |
| In April: | 0 | \$100 |

2.9 Guide for estimating employee-related and central service agency costs

The salary and benefit rate information described in this section is available in SPS

All the salary and benefit information described below can be obtained through the Salary Preparation System (SPS). For additional information and training, contact Art Overman, OFM Accounting Division, art.overman@ofm.wa.gov.

Include non-basic salary costs in the salary estimates

In addition to basic compensation, salary estimates should include callback, irregular hours compensation, terminal leave, and sick or annual leave buy-out. The agency also must accommodate provisions of the Fair Labor Standards Act (FLSA) within available funds.

Rates for OASI payments

Agencies should program OASI payments at the following rates:

- Calendar Year 2005: 6.2 percent of the first \$90,000 for Social Security purposes, and an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).
- Calendar Year 2006: 6.2 percent of the first \$93,500 for Social Security purposes, and an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).
- Calendar Year 2007: 6.2 percent of the first \$96,600 for Social Security purposes, plus an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).

Medical aid estimates

Allotment estimates for the state's share of medical aid and industrial insurance payments should be based on current biennium rates, which differ for various job types. Agencies must verify current occupational rate schedules with the Department of Labor and Industries.

State contribution to employee insurance program

For each eligible employee, the monthly employer funding rate is \$663 for Fiscal Year 2006. For Fiscal Year 2007, the monthly employer funding rate is \$744 for each eligible employee represented by a collective bargaining unit under the Personnel System Reform Act of 2002; for each eligible nonrepresented employee, the rate is \$618.

Health benefits were funded in each agency's regular appropriations.

Employer contributions to retirement systems

The total allotment for retirement system contributions must be based on the specific employer contribution rate. Most percentages include a contribution rate of 0.19 percent (0.0019) of total reportable salaries for the Department of Retirement Systems' (DRS) administrative costs for July 2005 through June 2007. Agencies should not allot DRS

administrative expenses for the Judges Retirement System or the Judicial Retirement System. The Department of Retirement Systems will notify agencies of any changes to this rate.

Retirement System Employer Contribution Rates

(Includes 0.19 percent DRS administrative rate)

| <u>July 2005</u> | Public Employees Retirement System | 2.44% |
|------------------|--|-------|
| | Law Enforcement Officers & Fire Fighters 2 | 4.72% |
| | WA State Patrol Retirement System | 4.7% |
| | Selected Elected Officials (Plan 1 only) | 3.57% |
| <u>July 2006</u> | Public Employees Retirement System | 3.69% |
| | Law Enforcement Officers & Fire Fighters 2 | 5.17% |
| | WA State Patrol Retirement System | 4.7% |
| | Selected Elected Officials (Plan 1 only) | 5.44% |
| | Public Safety Employees Retirement System | 8.42% |
| September 2005 | Teachers' Retirement System | 2.92% |
| September 2006 | Teachers' Retirement System | 3.44% |

Pensions were funded in each agency's regular appropriations.

Department of Personnel Service Account Charge

The Department of Personnel (DOP) Service Account (Account 415) billing rate will be no more than 0.70 percent (.0070) of covered salaries and wages for the 2005-07 Biennium. Agencies should plan to pay the annual amount during the second quarter of each fiscal year. Billing adjustments will be made at the close of each fiscal year as required. Applicable amounts should be included in Object E, Goods and Services.

Higher Education Personnel Service Fund Charge

The initial billing rate for the Higher Education Personnel Service Fund (Fund 455) will be no more than 0.35 percent (.0035) of covered salaries and wages for the 2005-07 Biennium. Institutions of higher education should program the applicable amount in July of each fiscal year in Object E, Goods and Services. Adjustments will be made at the close of each year as required.

NOTE: Final personnel service billing rates will not be known until after the 2005-07 budget is enacted, and DOP collects information from agencies regarding their classified salary base. DOP will calculate its final rate, and will inform agencies in a separate memorandum.

Unemployment compensation reimbursement

Agencies are required to reimburse the Employment Security Department (ESD) for unemployment compensation paid to former agency employees. ESD will notify agencies quarterly of their actual unemployment compensation liability. OFM encourages reimbursement of current billings when possible, since agencies paying on a delayed basis will be charged interest at the treasury bill rate. Estimated unemployment compensation amounts are to be allotted in Object B, Employee Benefits.

Since the budget and accounting systems are based on GAAP, the expenditures for unemployment compensation are to be recorded in the fiscal period in which they are incurred, regardless of when paid.

Central Service Agency Charge Estimates

The following accounts are used to reflect the cost of various interagency services:

- Legal Services Revolving Account (Attorney General)
- Data Processing Revolving Account (Department of Information Services)
- Archives and Records Management Account (Secretary of State)
- Auditing Services Revolving Account (State Auditor)
- Administrative Hearings Revolving Account (Office of Administrative Hearings)
- General Administrative Service Account (Department of General Administration)
- Minority and Women's Business Enterprises Account (Office of Minority and Women's Business Enterprises [OMWBE])
- Risk Management Self Insurance Premiums (Office of Financial Management)

Estimated billings from agency service accounts were included in the Governor's recommended budgets for individual agencies and were revised to reflect actions of the Legislature. OFM will provide this information to agencies as soon as it is available after the legislative session ends. The revised estimate should be used as part of the initial allotment calculation for Object E, Goods and Services.

The Office of the Secretary of State Archives and Records Management, Office of Administrative Hearings, and Department of General Administration Facilities and Services are billed by quarter (July, October, January, and April of each year). Charges for OMWBE and the Risk Management Administration Revolving Account are billed annually (in the July-August timeframe). The Office of the Attorney General and Department of Information Services are billed monthly. Enter cash disbursements in the month the interagency service bill will be paid. For more detailed information on accounting for these transactions, refer to the State

Administrative and Accounting Manual, Subsection 85.90.40, at http://www.ofm.wa.gov/policy/85.90.htm

These are estimates only agencies must pay for actual goods and services received

Please remember that the allotments for central service agency charges represent estimates. Agencies are responsible to pay for actual goods or services received, regardless of the estimate.

2.10 Allotment checklist for initial packets

Here is a checklist to help ensure your initial allotment is complete and accurate before submitting to OFM. ☐ Did you use the appropriate packet type of B001? Does the allotment reflect legislative intent? Does the allotment correspond to the appropriation bill provisos? Are all accounts (except those specifically exempted by OFM) allotted? ☐ For GF-S expenditures, do annual allotments match the annual GF-S appropriations? For other accounts, do the year splits appear reasonable in comparison with the legislative database? ☐ Do the expenditures for nonappropriated accounts match the enacted budget database? If not, describe the differences using the allotment narrative form. Does the total of allotted, unallotted, and reserve for each appropriation match the OFM Expenditure Authority Schedule? Does the total appropriation established (transaction S1 for APS and 700 for TAPS) equal the totals in allotted, unallotted, and reserve for each appropriation? (For APS users, the total S1 entry for each appropriation should be equal to the total D1+ and D1entries plus amounts in unallotted and reserve. For TAPS users, the total 700 entries for each appropriation should be equal to the total 702 and 704 entries plus amounts in unallotted and reserve.) Did you explain the amounts in unallotted or reserve status in an allotment narrative form submitted to OFM? Do the monthly patterns appear reasonable? Spread monthly estimates on historical patterns adjusted for expected changes in new funding or according to statutory monthly allocation schedules. Do FTE levels agree with the enacted budget data? If not, describe differences using the allotment narrative form. Are projected revenues consistent with the enacted budget? ☐ Did you allot all budgeted revenues collected by your agency, regardless of which agency spends the revenue? ■ Do federal and private/local revenues match expenditures? Do Object T Intra-agency Transfers net to zero at the agency level? Note: This may not be possible within the allotment if one side of the transfer is in a non-budgeted/nonallotted account. ☐ Do not allot Object F, Cost of Goods Sold.

Preparing Initial Allotments

| ☐ Submit all narrative explanations in one narrative form submittal. |
|---|
| ☐ The administering agency should ensure that dedicated accounts have sufficient fund balance on July 1, 2005 plus estimated 2005-07 revenues to cover allotted expenditures, |
| including expenditures by other agencies that receive appropriations from the account. |



Chapter 3

Preparing Allotment Amendments

3.1 When are allotment amendments expected and allowed?

When are allotment amendments required?

OFM requires operating allotment amendments to be submitted for the following changes in the agency's initial expenditure, revenue and cash plan.

- Legislative changes to an appropriation; for example, a supplemental budget.
- Executive changes to an Expenditure Authority Schedule, such as expenditure reductions directed by the Governor because of a revenue shortfall, emergency fund, retrospective rating refund, savings incentive or other allocations, and unanticipated receipts requests.
- Revised estimates of the amount or timing of cash receipts, cash disbursements or revenue.
- Any significant quarterly updates identified by the agency or requested by OFM.

Expenditure allotment amendments may be made quarterly

Agencies may submit expenditure allotment amendments quarterly along with an explanation of the reasons for significant changes. OFM may also request that agencies submit an allotment amendment. Instructions on this type of amendment are covered in Section 3.2.

What are the submittal deadlines?

Except where noted below, allotment amendments are due no later than the 25th of the current fiscal month to allow time for budget analyst review prior to AFRS fiscal month cut-off. Although most allotment amendments released to OFM by the required due date will be approved and entered into AFRS promptly, system problems or analytical issues may sometimes cause delays. Any allotment amendment which misses the AFRS cut-off date, for whatever reason, will have to be returned to the agency if it contains retroactive allotment transactions—transactions relating to a closed fiscal month.

Provide a narrative explanation with allotment amendments

Agencies are required to submit a narrative explanation for the significant changes reflected in each allotment amendment.

Use an e-form on the OFM Website to submit your explanation The APS and TAPS systems do not support the submittal of narrative text. To submit this information use the electronic Allotment Narrative form on the OFM website at http://www.ofm.wa.gov/budget/forms.htm.

- Click on the link to view the form.
- In the appropriate boxes type in:
 - o Date
 - o Your agency number and agency name
 - o Program number
 - o The packet type and number (B001, S015, etc.)
 - Contact name
 - Contact email address
 - o Contact phone number
 - o Description of the significant changes reflected in the allotment amendment.
- Select the send button to transmit the form to OFM Allotment Control and then on to your assigned OFM budget analyst.

3.2 Quarterly expenditure allotment amendments

Prepare a quarterly allotment amendment when expenditure assumptions change significantly

The assumptions upon which the initial allotment plan is based may change over time. When the assumptions for expenditures in future months change significantly, agencies should prepare an allotment amendment for the next quarterly update.

OFM is particularly interested in amendments to reflect changes in the initial assumptions of key budget drivers including caseloads, population and client patterns, and revenue. We are also interested in significant changes in the planned timing and implementation of programs and services. Agencies should submit allotment amendments and narrative explanations for these types of changes. We encourage agencies to include any other updates that make the allotment more useful as an expenditure plan. Narrative explanations are not required for minor changes.

OFM and the Legislature will be monitoring actual expenditures against the allotments and looking to understand significant variances from the initial allotments. We encourage agencies to anticipate questions about such variances and to submit allotment amendments and assumption changes in any quarter necessary to provide reviewers with an accurate understanding of the expected spending plan and variances. OFM may require an agency to submit an allotment amendment.

Do not make retroactive adjustments

Agencies may not make retroactive expenditure allotment amendments (changes to allotments for closed fiscal months), per RCW 43.88.110(8). Agencies may make expenditure allotment adjustments for current or future month activity.

What are the deadlines?

X

Deadlines for quarterly allotment amendments are:

- October 25, 2005 and 2006
- January 25, 2006 and 2007
- April 25, 2006 and 2007
- July 25, 2006

Submittal requirements for the allotment amendment

Use an S packet indicator for quarterly operating allotment amendments.

- Use the **S100 series** for amendments due October 25, 2005.
- Use the **S200 series** for amendments due January 25, 2006.
- Use the **S300 series** for amendments due April 25, 2006.
- Use the **S400 series** for amendments due July 25, 2006.
- Use the **S500 series** for amendments due October 25, 2006.
- Use the **S600 series** for amendments due January 25, 2007.
- Use the **S700 series** for amendments due April 25, 2007.

Expenditure revisions may include altering expenditure estimates by month, program, or object; shifting estimates between allotted and unallotted status; and updating nonappropriated account estimates. Revenue, cash receipt, and cash disbursement amendments should accompany these expenditure revisions when appropriate.

See Sections 2.2 and 2.4-2.8 for information on proper transaction codes and entries. Also see the allotment amendment checklist at the end of this chapter.

Submittal requirements for the narrative explanation

Agencies must provide a brief description of how the spending plan assumptions have changed from the initial allotment for any significant revisions included in the amendment.

- Have any assumptions of key budget drivers caseloads, population and client patterns, or revenue – changed significantly from those in the initial allotments?
- Has there been a significant change in the planned timing and implementation of programs or services? (For example, a new institution will open three months later than originally planned.)
- Has there been any other significant change in assumptions from the initial allotment? (For example, new requirements identified in the design phase of an information technology project will cause a significant change in project scope and project costs. OFM would not consider as significant, for example, costs shifts due to a delay in purchasing a small number of personal computers or to staff vacancies.)

Use an e-form on the OFM
Website to submit your
explanation

The APS and TAPS systems do not support the submittal of narrative text. To submit this information, use the electronic Allotment Narrative form on the OFM Website at http://www.ofm.wa.gov/budget/forms.htm. See more detailed instructions in Section 3.1.

3.3 Revenue and cash receipt allotment amendments

Submit quarterly revenue and cash receipt allotment amendments for forecast and other assumption updates



Revenue and cash receipt amendments are required whenever the quarterly revenue forecast of the Economic and Revenue Forecast Council or the Transportation Revenue Forecast Council is revised. Revenue estimates for those agencies that do not report to the Council should be amended as necessary to reflect any change in the amount or timing of projected revenues and cash receipts, or to adjust for actual collection experience. The following accounts represent some of the most significant accounts subject to forecasts, but agencies should report material adjustments for any of the nearly 200 accounts subject to some kind of forecast.

001 General Fund

014 Forest Development Account

01V State Convention and Trade Account

02V PSEA

02W Timber Tax Distribution Account

03F Enhanced 911 Account

03L County Criminal Justice

03M Municipal Criminal Justice

041 Resource Management Cost Account

058 Public Works Assistance Account

081 State Patrol Highway Account

097 RV Account

099 Ferry Capital

102 Rural Arterial

104 Wildlife Account

107 Liquor Excise Tax Account

108 Motor Vehicle Account

109 Ferry Operations

112 Urban Arterial Trust

139 Water Quality Account

144 Transportation Improvement

173 State Toxic Control Account

174 Local Toxic Control Account

181 VERDE

186 County Arterial Preservation

204 Volunteer Firefighter

215 Special Category C

218 Multimodal Account

269 Parks Renewal and Stewardship Account

501 Liquor Revolving

537 State Convention and Trade Center Operations Account

760 Health Services Account

Submittal deadlines



For forecast-related amendments, please submit the amendment by the 25th of the month following a forecast. Submit other revenue and cash amendments by the 25th of the month to ensure approval prior to the AFRS cutoff. Please see Section 2.6 for information on the proper transaction codes and entries to use for these adjustments.

3.4 Amend cash allotments as needed

Submit cash allotment amendments when forecasts or other assumptions for cash patterns significantly change

Because cash allotments are a primary source of information for the state's cash management needs, agencies should submit cash allotment amendments whenever assumptions for cash receipts and disbursements change significantly. The estimated cash receipts by revenue source code should tie to the official forecast for those agencies that report General Fund revenue to OFM or directly to the Economic and Revenue Forecast Council. Cash receipt amendments are required whenever revisions to the forecast are made.

Please see Sections 2.7 and 2.8 for more information on the proper transaction codes and entries to use for these adjustments. Also see the allotment amendment checklist at the end of this chapter.

3.5 Unanticipated receipts

OFM must give approval before unanticipated receipts can be used



Agencies sometimes receive federal or private/local funds for a specific purpose that was not anticipated in the enacted budget. The Governor is authorized to grant agencies expenditure authority for these funds under certain conditions. Agencies may not incur expenditures for any unanticipated receipt until they have received OFM approval to do so. An agency may not make an expenditure or obligation in excess of the actual funds received, or for a purpose different from the one for which it was received.

What kinds of items need to be approved by OFM?

Agencies must submit an unanticipated receipt request to OFM for approval to use any federal or private/local funds received by an appropriated account that have not been appropriated by the Legislature. Do not allot the value of in-kind donations.

If an agency has received an advance payment during the 2003-05 Biennium and a portion of this amount can be carried over to 2005-07, the agency must submit an unanticipated receipt request, unless the carry-forward amount has been included in the enacted 2005-07 biennial budget. The amount of the advance payment carried forward must show as estimated revenue in 2005-07.

This section does not apply to non-appropriated funds.

Contact OFM and legislative analysts when unanticipated receipts are received during legislative session

During the legislative session, it is assumed that unanticipated grants or other outside funds will be included in the supplemental budget rather than processed as unanticipated receipts. Agencies should contact their OFM budget analyst if the timing of these receipts makes inclusion in the supplemental budget impossible.

Due dates for unanticipated receipt amendments

Unanticipated receipt amendments and the accompanying Form B20-1 are due at least ten days prior to the commitment of any funds and at least 15 days prior to the AFRS fiscal month cut-off date to be included in that month's transactions. The last date that agencies can submit unanticipated receipt amendments for the 2005-07 biennium is June 22, 2007.

Submittal requirements



- The agency must submit a request Form B20-1 to provide a description of the source of funding, the purpose of the grant or contract, and why the expenditure is consistent with legislative and executive intent.
- The agency should also include a copy of the grant award or other contract documentation available.
- The agency must also submit an allotment amendment to indicate the proposed expenditure plan for the funds. Use a U packet type for the operating allotment amendment. Use a C packet type for capital unanticipated receipt allotment amendment.
- The B20-1 and the allotment amendment should cover only the current biennium portion of the receipt if the grant period also covers future periods.

One original and four copies of the completed B20-1 form are to be submitted to OFM Budget Division, Operations-Allotments (Mail Stop 43113) at the same time that the allotment amendment request is released from APS/TAPS. Supporting documentation, such as grant award documents, agreements, or detailed descriptions of the grant, must be submitted along with the B20-1.

Use allowable appropriation codes for unanticipated receipts

Use these appropriation codes for unanticipated receipts. The third digit is always zero.



Unanticipated Receipt Appropriations

Operating—Federal 700-940, 7A0-8Z0 Approp. Type 3 Operating—Private/Local 9A0-9Z0, ZA0-ZZ0 Approp. Type 9

Capital—Federal V10-W90 Approp. Type 3 Capital—Private/Local X10-Y90 Approp. Type 9

When a granting entity provides additional money for purposes previously identified in a prior unanticipated receipt, please re-use the

original unanticipated receipt appropriation code. If the purpose of the project differs, a new appropriation code must be used.

Instructions for completing the B20-1



This form is available electronically on the OFM Website at http://www.ofm.wa.gov/budget/forms.htm. An example is also found in Appendix A-2.

- **Allotment Packet Number:** Indicate the specific packet number (U### or C###) assigned to the data submittal.
- Purpose of grant or contract and description of how funds will be used: Clearly describe the reason for the grant and the specific activities that will be initiated with the new funding.
- **Time Period:** Indicate the actual time period in which these funds will be used.
- **Source Description:** Indicate the exact source of the funding. For example: U.S. Department of Health and Human Services, Public Health Administration.
- Federal Domestic Assistance Catalog Number and Title: Use if funding is from a federal assistance grant or program.
- Budget Impact Summary: Indicate the total unanticipated receipt amount expected to be spent in the current biennium, separated into allotted and unallotted status. The total dollars entered here must agree with the data entered in the APS/TAPS unanticipated receipt packet submitted to OFM.

If any portion of the unanticipated receipt may be substituted for presently allotted state funds, the amount of the substitution should be shown in the right hand column. This amount should match the state funds placed into reserve in the same allotment packet as the unanticipated receipt.

In cases where the grant award crosses biennial lines, record only that portion that applies to 2005-07 and reference the excess (the amount granted for future biennia) in the "Purpose of Grant" section of the form. If available for expenditure, this excess funding must be incorporated into the agency's 2007-09 budget request.

- Additional FTEs: Indicate the average annual FTEs added by the unanticipated receipt. Staff months or biennial totals are not to be used. For example: If Fiscal Year 2006 has 10 FTEs and Fiscal Year 2007 has 12 FTEs, the B20-1 should show 11 FTEs (10 plus 12, divided by 2).
- Analysis: Complete all four questions in the analysis section.

State funds must be placed in reserve if unanticipated receipt can substitute



Whenever an unanticipated receipt can be substituted for state funds, those state funds must be placed in reserve in the unanticipated receipt allotment packet, and the unanticipated receipt dollars used instead.

The first question on Form B20-1 asks whether the federal (or other) funds received can be substituted for presently allotted funds. Agencies must provide specific justification whenever the "no" box is checked in response to this question. Federal or other grantors frequently stipulate that grant funds cannot be used in place of state funding. The documentation of this requirement should be in the form of specific language or a legal citation that prohibits the supplanting of state funds.

Revenue allotment must equal expenditure allotment for expenditure-driven grants



In the case of expenditure-driven grants or contracts where the state receives revenue based upon the expenditures incurred against the grant or contract total, revenues must be equal to total expenditures as a matter of state law. When expenditures are incurred that cannot be billed to the grant or contract, they are to be charged against other appropriations.

3.5a Checklist for unanticipated receipts submittals

| ☐ Provide detailed description on Form B20-1 for unanticipated receipt requests. |
|--|
| ☐ Grant award or other contract documentation must be included with Form B20-1. |
| ☐ Ensure that the unanticipated receipt packet (Form B20-1, grant or contract award information, and APS/TAPS data in a U or C packet) is received by OFM at least 10 days prior to the commitment of funds to allow for legislative review. Send original and four copies of the entire package to OFM Allotment Control - Mail Stop 43113. |
| ☐ Match information on Form B20-1 for unanticipated receipts to the allotment data submittal for unanticipated receipts. |
| ☐ Allot only the amount that the agency expects to spend in the current biennium. |
| ☐ Submit estimates for revenue, cash receipt, cash disbursement and expenditure allotments in the packet. |
| ☐ Ensure that federal and private/local expenditures are equal to the federal and private/local revenue estimates. |
| ☐ Ensure that no spending is made from the unanticipated receipts until OFM approves the allotment packet. |
| ☐ Do not allot retroactive data. |

Preparing Allotment Amendments

| Ц | During the legislative session, it is assumed that unanticipated grants or other outside |
|---|--|
| | funds will be included in the supplemental budget and not processed as unanticipated |
| | receipts. Agencies should contact their OFM budget analyst if the timing of these |
| | receipts makes inclusion in the supplemental budget impossible. |
| | Corresponding cash allotments should also be amended. |

3.6 Allotment amendments for legislative budget changes

Supplemental budgets are the most common legislative budget change

When an agency's budget is changed in a supplemental budget, the agency must submit an allotment amendment to reflect those changes.

- Use Packet type L600 series for 2006 supplemental budget changes.
- Use Packet type L700 series for 2007 supplemental budget changes.

OFM will issue separate instructions for these allotments after a supplemental budget has been enacted.

3.7 Allotment amendments for allocations

Instructions for these allotment amendments will be sent separately

For various reasons, the Governor may authorize allocations that increase or decrease an agency's spending authority. Some examples include Emergency Fund allocations, retrospective rate refund allocations, legislated compensation allocations, etc.

In the case of these and other allocations, OFM will distribute separate written instructions as appropriate.

3.8 Savings Incentive Program

About the Savings Incentive Program

The Savings Incentive Program was established in 1997 as a means of encouraging agency efficiency and providing another ongoing source of funding for school construction projects.

In 2005-07, unspent General Fund-State (GF-S) appropriations will be allocated to either the Education Savings Account or the Savings Incentive Account.

Savings transferred to the Education Savings Account

Savings transferred to the appropriated Education Savings Account for use by the State Board of Education include:

- Unspent GF-S appropriations for caseload and enrollment in entitlement programs;
- Unspent GF-S appropriations for enrollments in state institutions of higher education;
- Unspent GF-S proviso appropriations, if the agency did not achieve the purpose of the condition or limitation;
- Unspent debt service appropriations;
- Unspent appropriations for state retirement system obligations;
- One-half of any other unspent GF-S appropriations in agency budgets.

Savings transferred to the Savings Incentive Account for use by agencies

Savings transferred to the Savings Incentive Account, for use by each agency demonstrating unspent GF-S appropriations, include one-half of the unspent GF-S appropriations not itemized above.

Steps in the allocation process

At the close of OFM's Phase II accounting adjustments, OFM will begin determining the amounts of each agency's GF-S reversions and how they fall into the categories listed above. OFM will review the initial division of reversions with legislative fiscal staff to ensure agreement on their categorization. Reversion estimates will be finalized after the close of the auditing phase in late November.

Agencies will receive separate allotment instructions

The Savings Incentive Account is nonappropriated but is subject to allotment procedures. At the point that the savings incentive amounts are final, OFM will issue allotment instructions and the amount available to each GF-S agency from the Savings Incentive Account. Agencies submit A600 packet allotments when expenditures from the Savings Incentive Account are planned.

Per RCW 43.79.460, use of this funding is limited to one-time expenditures to improve the quality, efficiency and effectiveness of services to the customers of the state. These activities may include employee training, employee incentives, technology improvements, new work processes, or performance measurement.

3.9 General checklist for allotment amendments

before submitting to OFM. (See additional checklist in Section 3.5a for unanticipated receipts requirements.) ☐ Did you use the appropriate packet type? Does the allotment reflect legislative intent? Does the allotment correspond to the appropriation bill provisos? Are you submitting the related cash allotment amendments if submitting revenue or expenditure amendments? Does the total of allotted, unallotted, and reserve for each appropriation match the OFM Expenditure Authority Schedule (except for nonappropriated amounts)? Does the total appropriation established (transaction S1 for APS and 700 for TAPS) equal the totals in allotted, unallotted, and reserve for each appropriation? (For APS users, the total S1 entry for each appropriation should be equal to the total D1+ and D1- entries plus amounts in unallotted and reserve. For TAPS users, the total 700 entries for each appropriation should be equal to the total 702 and 704 entries plus amounts in unallotted and reserve.) Have you prepared an electronic narrative explanation for the amendment? ☐ Did you allot all budgeted revenues collected by your agency, regardless of which agency spends the revenue? ☐ Do federal and private/local revenues match expenditures? Do Object T Intra-agency Transfers net to zero at the agency level? Note: This may not be visible if one side of the transfer is in a non-budget/non-allotted fund.

Here is a general checklist to help ensure your allotment amendment is complete and accurate

☐ Do not allot Object F, Cost of Goods Sold.



Chapter 4

Performance Measures and the Activity Inventory

4.1 Performance measures are key budget assumptions

Performance estimates are one expression of the assumptions of the budget

Allotments show the expected timing and uses of the agency budget and the assumptions for key budget drivers. Performance measure targets show expected outputs and outcomes related to that budget plan. As the agency develops its spending plan for the enacted budget, it is important to also confirm the planned levels of efforts and accomplishments.

Performance measures tracking

Tracking actual performance measures against estimates provides benefits similar to those in tracking actual expenditures against estimates:

- Helps agencies identify successful strategies.
- Helps to identify which activities are not meeting goals and helps agencies decide how to intervene to solve problems.
- Helps improve the assumptions upon which budgets, spending plans, performance targets and other operating decisions are based.

4.2 What kind of performance information is required?

Focus on measures that document agency activity accomplishments and progress toward statewide results

The Priorities of Government process provides a strategic framework for Washington State government. It starts with four basic questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?
- Are we making progress towards those results?

Measures of agency activity performance, with indicators of statewide results and statewide strategies, help us answer these questions.

Information about statewide results, strategies and indicators can be found on the OFM website

Ideally, most agency activities and strategies will influence statewide results. The Priorities of Government (POG) process has identified high-level indicators for each of the eleven statewide results. Information about these indicators can be found on the OFM website at http://www.ofm.wa.gov/fiscal/pog/indicators/default.htm. The POG teams also identified key strategies that most contribute to results; reports are available at http://www.ofm.wa.gov/budget/pog/pdf/pog-screen.pdf. As POG continues, more statewide indicators will be developed to identify expected results of these strategies.

Statewide Results

- 1. Improve student achievement in elementary, middle and high schools
- 2. Improve the quality and productivity of the workforce
- 3. Improve the value of postsecondary learning
- 4. Improve the health of Washington citizens
- 5. Improve the security of Washington's vulnerable children and adults
- 6. Improve the economic vitality of businesses and individuals
- 7. Improve statewide mobility of people, goods, information and energy
- 8. Improve the safety of people and property
- 9. Improve the quality of Washington's natural resources
- 10. Improve cultural and recreational opportunities throughout the state
- 11. Improve the ability of state government to achieve results efficiently and effectively

Proposed activity performance measures were submitted with the budget last fall

As part of the budget submittal, agencies were required to submit performance information about the expected results of each activity in its activity inventory. Ideally, each activity was associated with at least one performance measure. If it was not possible to measure an appropriate quantitative performance measure for an activity at that time, agencies were required to provide at least a narrative description of the intended outcome for the activity.

Previously proposed performance measures should be revised if needed

Generally, agencies are required to submit actual measures throughout the biennium for the performance targets adopted as part of the Governor's budget proposal. After the budget is enacted, however, it is important to revisit the proposed performance measures and targets and revise them as needed to ensure they:

- Reflect the activities and expectations of the enacted budget
- Explain, to the best extent possible, the contribution these activities make to statewide strategies and results
- Incorporate new information

OFM or agencies may initiate a request to update or change proposed performance measures. We expect that Governor Gregoire's Government Management, Accountability and Performance (GMAP)

Performance Measures and the Activity Inventory

process will provide insights that may lead to improved activity-related performance measures. HB 1242 requires OFM to conduct regular reviews of agency performance measure progress. These reviews may also identify opportunities to improve measures. We expect adjustments will be needed throughout the biennium. Please contact your OFM budget analyst when you wish to propose a performance measure change or addition.

What is GMAP?

Government Management, Accountability and Performance (GMAP) creates a regular forum for sharing budget and performance information for the purpose of achieving results. GMAP is a natural complement to Priorities of Government.

Principles of GMAP:

- Personal presence of leadership with authority to make decisions
- Timely, accurate performance data, presented in relevant graphical format
- Strategies evaluated on the basis of effectiveness
- Responsive decision-making and reallocation of personnel and financial resources to achieve results
- Persistent follow-up and assessment

A critical component of the system is called the GMAP forum. At these forums, leaders receive performance data, presented in a relevant graphical form, and use this information to make timely decisions to improve agency results. Agencies are expected to hold agency-level GMAP forums. The Governor will hold statewide forums.

Measures used for budget and GMAP will overlap

Agencies already develop and monitor performance measures for a number of purposes. GMAP may modify or add to the current set of measures agencies use to manage or communicate their results.

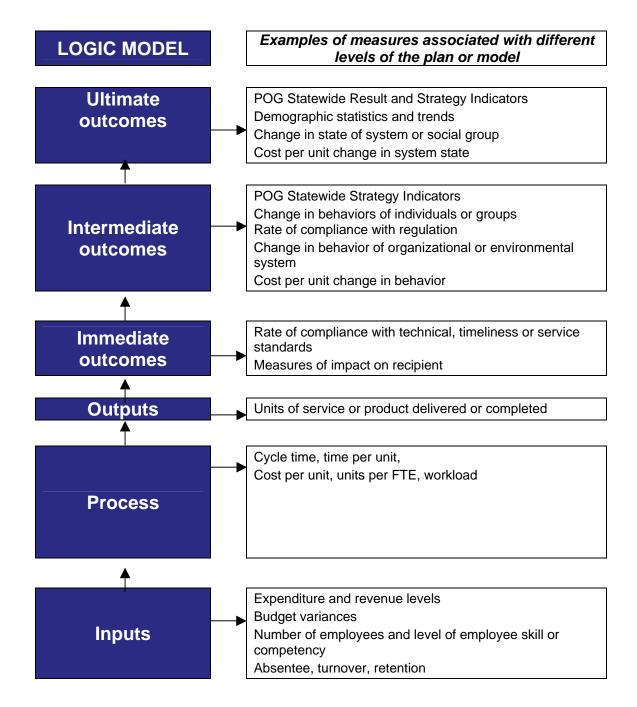
These allotment instructions and reporting requirements focus on the performance measurements most relevant to budget evaluation and performance. In particular, this includes measures that help explain the contribution that agency activities make to statewide strategies and results.

We expect that many of the measures used in the statewide GMAP forum will include activity-related performance measures adopted by OFM for evaluating the implementation of the budget. Agencies are also responsible for maintaining performance systems that support operational decision-making. Thus, agencies need not submit all measures used in the GMAP process to OFM.

The logic model shows relationships between types and levels of measures

A logic model shows the relationships between budgeted inputs to an agency activity and desired results. Agencies may find it useful in thinking about and communicating how the output or immediate outcome of an activity contributes to higher-level outcomes. The framework below illustrates the logic model and examples of the type of measures that might be relevant at each level. More examples of the logic model, or value chain can be found in Appendix A-2 of the Part I budget instructions:

http://www.ofm.wa.gov/budget/instructions/05-07budinstpart1.pdf



4.3 A new system to support performance measure tracking

Performance measure tracking is now a part of the Budget Development System.

This year, agencies will submit performance measure estimates and actuals in the new Performance Measure Tracking (PMT) component of the Budget Development System (BDS). PMT may be accessed from the BASS main menu or from BDS. Performance measure tracking elements have been added to the performance measure description features that were already part of the system in 2004.

Some of the new features include:

- Streamlined performance measure management features
- Better automated submittal, review and approval tasks
- Measure fields are now numeric, allowing for easier use in data analysis
- Enhanced export and reporting options
- The system will also include statewide result indicators for reporting
- Measures can be viewed through reports by agency and result area
- Activity measure data can be combined with statewide indicator data in the same reports

The new system will be available on July 6, 2005. Please contact Vicki Rummig, <u>vicki.rummig@ofm.wa.gov</u>, for more information about the new system and system training.

4.4 Updating performance measure estimates

Review published performance measures

First, review the performance measures included in Governor Gregoire's proposed budget:

http://www.ofm.wa.gov/budget05gregoire/activity/. Determine whether these measures should be modified, replaced or supplemented. Consider the following factors:

- Do the measures reflect activities and expectations of the enacted budget and any pertinent policy legislation that adds, removes or changes responsibilities?
- Do these measures do the best job possible in describing the contribution in terms of outcomes, outputs or efficiency that these activities make to statewide strategies and results?
- Do you now have information to establish a new performance measure?

Agencies are encouraged to discuss their ideas for performance measure changes with their OFM budget analyst before submitting

them formally to OFM for approval. Please review OFM Budget Instructions Part I for more guidance on developing measures: http://www.ofm.wa.gov/budget/instructions/05-07budinstpart1.pdf

Submit performance measure targets by August 26

Performance measure targets for the 2005-07 Biennium should be submitted to OFM no later than August 26, 2005.

Propose performance measure targets through the new PMT system

When the new Performance Measure Tracking system is implemented in July 2005, agencies may submit the proposed performance measure targets and measure revisions.

A PMT tutorial will be available on-line to assist users with the following tasks:

- Proposing a new measure
- Proposing to revise or delete measure
- Submitting targets for existing and new measures.

The tutorials will be available in July.

PMT system training classes will begin July 6, 2005. Visit the OFM training site at http://www.ofm.wa.gov/training.htm for more information.

4.5 Submitting tracking information through the biennium

| Enter data during the |
|-----------------------|
| quarter in which the |
| service occurs |

Performance data should be entered in the quarter in which the services were actually performed. For semi-annual or annual measures, report the measure in the last quarter of the period.

When are tracking measures due?

Performance measure actuals are due to OFM within one month following the performance period – by the end of the month of October, January, April or July. If data cannot be collected and reported within 30 days, the agency should propose a footnote that describes the expected time lag to receive and report the data. OFM will regularly post updated performance measures and targets throughout the biennium.

Remember to submit eighth quarter data for the current biennium by July 31, 2005

Allotment Instructions 2005-07

Please continue reporting on performance measures established for the 2003-05 Biennium. Agencies must submit final biennium updates through the PMTES system in BASS by July 31, 2005.

4.6 Recasting the budget by activity

Agencies are required to update activity estimates

When a new biennial or first supplemental budget is enacted, agencies must update their estimated costs of agency activities to reflect the new budget. Agencies may now perform these updates through BDS, recasting the enacted budget by activity using the same approach used for recasting maintenance level totals by activities during budget development.

When is the activity update due?

The activity estimate update is due at the time of the initial allotments. (See Appendix A.)

Update the activity inventory amounts using BDS

Activity estimate updates for the 2005-07 budget will be completed using BDS in an Enacted Recast, Regular version. Agencies will have two choices on how they want to recast the enacted budget:

- 1. Enter a bottom-line total budget for each activity by fiscal year and account in a decision package PL-9Z.
- 2. Copy an existing version by activity to enacted version and update, delete, and add decision packages to reflect the enacted budget.

Steps for both options are described in the Enacted Budget Recast tutorial available later this spring on-line at http://systems.ofm.wa.gov/basspr/library/cbs.html or, for those outside the state firewall, at https://fortress.wa.gov/ofm/systems/basspr/library/cbs.html

Changes to Activity Titles and Descriptions

An agency's activity inventory should reflect the set of discrete services or activities performed by the agency. Activities required to support the enacted budget might be different from those required to support the proposed budget. Agencies should review the enacted budget to determine whether activities in the agency's inventory need to be added, deleted or revised. Please contact your OFM analyst if you believe a locked activity description needs to be edited, or if the agency proposes to add or delete activities.

4.7 How to treat administrative costs in the Activity Inventory

Activity costs should include related administrative costs essential to support that activity

The activity inventory should provide a reasonable estimate of the full cost of activities. Part of the full cost of any activity would include related administrative costs that are essential to support the activity.

Administrative costs can be broken into two components: indirect costs and overhead costs. These instructions describe how to handle these two types of costs in the activity inventory.

Definitions

We realize many of the cost terms used here mean different things in different organizations. Please use the definitions below for the purpose of developing activity inventory estimates.

Allocate indirect costs to activities

Indirect costs are administrative costs that are linked to two or more activities, are closely related to and tend to vary with activity level or size, but usually cannot be practically or economically direct-charged. These costs should be assigned to activities through cost allocation and included in the total cost of the activity in the activity inventory.

Types of costs that could be classified as indirect costs may vary from agency to agency, but here are some possible examples:

- Rent costs (if these are not already direct charged)
- Postage costs
- Software development and information technology support costs
- Other shared administrative costs that are closely related to activity levels and size

Show overhead costs as a separate "administration" activity

Every agency has some core administrative functions and costs regardless of the number or size of its activities. These overhead costs usually support the entire organization, are not directly attributable to specific activities, and tend to be relatively fixed and not readily affected by fluctuations in activity levels. These costs should not be allocated to activities because they are not "caused" by the activity. Indicate these costs separately in one "Administration" activity in the activity inventory.

Performance Measures and the Activity Inventory

Types of costs that could be classified as overhead costs may vary from agency to agency, but here are some possible examples:

- Salary and support costs for the agency director
- Core portions of accounting, budgeting, personnel, communications, and receptionist functions
- Other shared administrative costs that are not closely related to activity levels and size

OFM is not concerned that each agency classifies the same type of cost in the same way. We most want to ensure that activity costs include administrative costs that are critical to support the activity and achieve its intended outcomes.

Certain agencies are not required to have a separate administrative activity In the past OFM determined that some agencies (those with only a few activities) were not required to break out overhead costs as a separate administration activity. Agencies that do not have a separate administrative activity need not add now.

How should indirect costs be allocated to activities?

Indirect costs should be assigned to activities on some generally accepted cost allocation basis. We encourage agencies that already use a cost allocation methodology for some accounting purpose to use that method to allocate indirect costs to activities. Other possible approaches to allocating indirect costs to activities include, but are not limited to:

- Allocating by the number of FTEs in each activity;
- Allocating by the total dollars budgeted for each activity; and
- Allocating by one or more bases that serve as good surrogates for the costs caused by each activity. For example: IT staff costs by the number of PCs or rent costs by the number of square feet.

Provide allocation information to OFM



The allocated costs should be included in the total costs for the activities. Agencies must also provide OFM with information about the cost allocation approach:

- The total amount of indirect costs allocated;
- A brief description of the allocation method selected;
- The allocation percentage for each activity (percentage of the total indirect cost the agency allocated to each activity); and
- The dollar amount allocated to each activity each fiscal year.

Please use a format similar to that shown below.

Performance Measures and the Activity Inventory

Activity Inventory Indirect Cost Allocation Approach

Agency ABC

Date

Allocation Method Description: Total indirect costs were allocated to activities based on the number of FTEs in each activity.

| - | | | | |
|------------|--------------------------|-----------------------|-----------------------|-----------------|
| | % Allocation Received | Dollars Allocated FY1 | Dollars Allocated FY2 | Total Allocated |
| Activity A | 20% | \$200,000 | \$250,000 | \$450,000 |
| Activity B | 50% | \$500,000 | \$625,000 | \$1,125,000 |
| Activity C | 10% | \$100,000 | \$125,000 | \$225,000 |
| Activity D | 20% | \$200,000 | \$250,000 | \$450,000 |
| Total | 100% | \$1,000,000 | \$1,250,000 | \$2,250,000 |
| | | | | |



Chapter 5

Capital Allotments

5.1 Capital allotment basics

What are capital projects?

Capital projects include:

- The acquisition of real property.
- The pre-design, design and construction of new facilities.
- Additions, repairs, renovations, and improvements to existing facilities.
- The acquisition of building equipment.
- Grants and loans to government or community organizations.

The allotment process helps provide a clear picture of project activity

The capital allotments provide a baseline understanding of how the enacted capital budget will be implemented and what will be accomplished as a result. Allotments are also used for project monitoring, identification, and the tracking of work elements.

OFM must approve allotments before expenditures may be incurred

RCW 43.88.110(7) and the capital budget appropriation legislation provide that an agency may incur no expenditure nor enter into any obligation for capital projects until they have received OFM approval for the allotment of those funds. Agencies should contact their assigned OFM capital budget analyst if there is a need to expedite an allotment review.

Allotments must match dollars and codes in the Expenditure Authority Schedule

Total allotments must match both the dollar amounts and appropriation codes shown in the OFM Expenditure Authority Schedule, which lists the appropriations available to agencies. See Section 1.3 for more information about the features and availability of the new Expenditure Authority Schedule.

Use allotted, unallotted and/or reserve status as appropriate Agency allotments must distribute the total appropriation over the three allotment categories: allotted, unallotted and reserve. Funds placed in the "allotted" category represent the anticipated expenditures by month during the current biennium. There should be a corresponding cash disbursement schedule that appropriately lags the allotted expenditure schedule. Funds placed in the "unallotted" category represent obligations that agency does not expect to spend in the current biennium. Funds obligated for use in future biennia should be placed on "unallotted" status. Funds that are not yet obligated should be placed in the "reserve" category.

Use a C packet indicator for all capital allotments

Use the C packet number for all capital allotment elements including: expenditures, unanticipated receipts, cash receipts and disbursements, and related revenue estimates. Initial capital-related revenue estimates may be included in the B001 packet.

Unexpended funds can be transferred to other projects

The capital budget bill allows for the transfer of unexpended funds from one project to another within certain situations as described in the capital appropriation legislation. The agency must submit a request to OFM to make such a transfer. If approved, OFM will update the expenditure authority schedule to transfer the funds from the completed project to another project. The agency must then submit a subsequent allotment for the transferred funds. Transfers in excess of \$250,000 require notification of the legislative fiscal committees and will not take effect for 30 days.

5.2 Requirements for the initial allotment submittal

The initial allotment defines the initial plan after the budget is enacted

An agency's initial capital allotments present its detailed plan for monthly revenue and expenditures based on the terms, limits, conditions and original assumptions in the new appropriations and reappropriations approved by the Legislature. The initial allotments also present the related plan of cash receipts and disbursements. The initial allotments should provide these estimates for every month of the biennium.

The initial capital allotments also include the following information submitted through the Capital Budget System (CBS) in BASS:

- Capital FTE information
- Capital Project Summaries (C2)
 - o Grant Projects: The C2 should include a project list if
 - o Minor Works Projects: The C2 must include an updated prioritized project list reflecting legislative intent.
- Cost Estimates (C100)
 - o Required for individual projects over \$1 million. Projects over \$5 million, or other designated major projects have additional requirements (See Chapter 6).

Using the Capital Budget System

Help on using the Capital Budget System is available on line at http://systems.ofm.wa.gov/basspr/library/cbs.html or for fortress users, at https://fortress.wa.gov/ofm/systems/basspr/library/cbs.html

When are they due?

The initial capital allotment packet is due with the agency's operating allotment by the date specified in Appendix A-1.

See Chapter 2 for general initial allotment requirements

Chapter 2 provides detailed instructions for preparing initial appropriation, expenditure, revenue, and cash allotments. Unique capital requirements for the initial allotments are detailed in this section.

Submit updated capitalfunded FTE information in the Capital Budget System

Agencies and institutions must update their capital-funded FTE information in the Capital Budget System (CBS)/BASS system upon passage of the capital appropriation legislation. The required information includes job classification and range for each capital-funded FTE, as well as funding codes and amounts that support these FTEs. The funding amounts should include salary and benefits only. (Do not include travel, training, or administrative indirect charges).

Include these and other staff-related costs in the allotment

Agencies that charge staff FTEs and other administrative costs to capital appropriations should allot these FTEs and costs as part of each capital packet, with particular attention given to the correct object coding (salaries, benefits, goods and services, etc.).

Update this information by June

Agencies and institutions shall update their capital-funded FTEs each June 30 through CBS/BASS to reflect actual staffing levels anticipated during the 2005-07 Biennium.

Submit an updated Capital Project Summary (C2)

After the Governor has signed the capital appropriations bill, agencies must update their C2 forms in CBS/BASS to ensure the project scope of work, schedule, and cost information is consistent with the enacted budget. The updates must include:

- A prioritized, detailed subproject list for minor works and, if available, grant programs
- Legislative proviso and other intent language
- Updated costs from C100 forms for projects over \$1 million.

The updated C2 forms are required for initial allotment approval.

Updated project lists are also required

Agencies are required to submit and maintain detailed minor works and omnibus appropriation subproject lists with OFM. The list of subprojects must conform to the scope, intent and amount of the appropriation in the enacted capital budget bill. The list should be in priority order.

Agencies who administer statewide grant programs through capital appropriations should develop and maintain a listing of grantees. To the extent possible, agencies are encouraged to submit this information through updated C2 forms in CBS/BASS.

Restrictions on project list additions or substitutions

There may be instances where an agency needs to add or substitute projects for an omnibus or minor works appropriation based on circumstances or events unknown at the time of the initial budget request or allotment. For flexibility, additional projects may be listed on the initial submittal list; however, the total cost of all projects listed may not exceed 120 percent of the appropriation. Allotments cannot be approved without these project lists.

OFM recognizes that flexibility is required but will monitor substitutions carefully. Use the following criteria when considering substitutions:

- Determine if there is adequate funding to support a newly identified project within the minor works or omnibus appropriation.
- For agencies with an infrastructure savings appropriation, investigate the possibility of transferring excess funds from completed major projects into the infrastructure account to fund the newly identified project.
- Determine if there is sufficient emergency or unidentified repairs and improvements funding available from which to fund the newly identified project.
- Review the rest of the agency's capital budget to determine if the new project falls within the scope of appropriation language of another specific project.

Even if there are other funds that can be used to complete the necessary project, the agency must not make a project substitution without prior approval by OFM. Justification for the substitution should be submitted to OFM using the allotment narrative form on OFM's website at http://www.ofm.wa.gov/budget/forms.htm.

Submit updated Cost Estimates (C100)

Projects over \$1 million must include revised C100 cost estimates submitted electronically in the approved format to OFM as part of the initial allotment. Templates of the C100 are available on OFM's website at http://www.ofm.wa.gov/budget/forms.htm.

Agencies must submit an allotment package for reappropriated amounts

Agencies must submit an allotment package for reappropriated amounts that shows related expenditures and unallotted amounts over the 24 months of the new biennium. The updated C2 and C100 forms should reflect this information as well.

Actual expenditures from reappropriations will be limited to the unexpended balances remaining after all accounting entries for the current biennium are recorded and the accounts reconciled. Since the ending balances generally will not be known until October, the agency's biennial ending balance for the appropriations should be used as the basis for establishing the reappropriation in the initial allotment. Any difference between the Expenditure Authority Schedule and the amount allotted should be placed in unallotted or reserve status.

Agencies must submit adjustments after final reappropriations are known

OFM will adjust reappropriation amounts using the audited accounting actuals for the prior biennium to ensure that the total project appropriation is not exceeded. C-numbered packets adjusting the allotment to the new reappropriation must be submitted as soon as the final reappropriation amounts are known.

5.3 Requirements for allotment amendments

Capital allotments are amended for changes to the initial plan

Agencies may submit allotment amendments for changes to the initial plan at any time during the biennium for:

- Capital unanticipated receipts
- Transfers
- Project phases, including pre-design, design, and construction
- Projects originally placed in unallotted or reserve status in the initial allotment
- Cash disbursement revisions
- Revised reappropriation amounts as determined by OFM after audited accounting actuals for the prior biennium are known
- Updates to capital-funded staffing levels
- Approved substitutions or changes to minor works and omnibus appropriation subproject lists
- Supplemental budget changes

Capital allotments are amended to submit the spending plan for a new phase of a major project

Major capital projects are generally allotted by project phase as a means of tracking progress. Entering the design phase of a project can be treated as a separate decision point from entering the construction phase. The allotment of funds for each of these phases as separate transactions provides a clear picture of capital project activity. See Chapter 6 for additional information on special allotment requirements for major project phases.

See Chapter 3 for general amendment requirements and Chapter 6 for major project amendments Chapter 3 provides detailed instructions for preparing expenditure, revenue and cash allotment amendments, as well as unanticipated receipts. Requirements unique to major capital projects are included in Chapter 6.

5.4 General guide for developing allotments

General guidelines for developing expenditure allotments

Capital allotments should be based on the agency's best estimate of monthly expenditures and obligations during the current biennium.

The following guidelines can assist agencies in completing their allotment schedules but not a substitute for rational planning:

- Allotments for omnibus or minor works appropriations should approximate the spending plan for the sub-projects within the appropriation.
- Grant allotments should approximate planned expenditures of obligations for the individual grants and loans. The sum placed in allotted and unallotted status should equal the value of the agency's anticipated obligations. Funds that are not yet obligated should be placed in the "reserve" category. See Section 5.1 for guidance on allotment status.
- Individual appropriated projects should approximate the project schedule as provided in the agency's capital budget request and the updated C2 form.
- Construction spending can be approximated as 25 percent spent over the first one-third of the construction period, 50 percent spent during the second one-third of the construction period, and 25 percent spent during the last one-third of the construction period.

When can capital construction funds pay for staff or administrative expenses?

Capital construction funds (whether funded with bond proceeds, revenues deriving from fees, or other cash) are generally dedicated to the acquisition, construction, and renovation of fixed capital assets and shall not be used to subsidize operating budget costs. However, costs incurred by agencies in the direct development and administration of capital projects can be considered part of the project cost. Other costs, such as managing an agency's capital facilities or creating a capital budget, shall be charged to the agency's operating budget.

See the Capital Budget Instructions at http://www.ofm.wa.gov/budget/instructions/capinst/capinstr.htm for further information regarding allowable agency costs in capital appropriations. These instructions identify when capital funds can support administrative and staffing expenses.

Matching funds requirements

Projects that require a matching share from non-state (including federal) sources are subject to RCW 43.88.150. This statute requires the expenditure of any matching funds to be proportional to state funds. For example, if an appropriation for \$100,000 requires an additional local share of \$200,000, then for each state dollar spent, two dollars in non-state funds must be spent at the same time. This statute prohibits an agency from spending the state appropriation prior to spending other funds.

5.5 Cash flow estimates for bond-funded projects

Certain agencies and accounts must complete cash flow estimate form The Office of the State Treasurer (OST) asks selected agencies to provide information about bond fund cash flow estimates and descriptions of the expected use of bond proceeds. This information is used by OST to prepare sales plans for upcoming state bond sales. The sales plan is also used to prepare allotments for bond retirement principal and interest expenses that are included in the budget. OST will contact the agencies listed below to obtain the necessary information. The forms provided by OST, together with any additional supporting material, should be sent to:

Susan Penley Office of the State Treasurer P.O. Box 40200 Olympia, WA 98504-0200 Phone: (360) 902-9028

Phone: (360) 902-9028 Fax: (360) 902-9045

E-mail: susanp@tre.wa.gov

| Agency | Account Code | Account Title |
|---------------------------------|-----------------|---|
| Community, Trade, and | | |
| Economic Development | 355 | State Taxable Building Construction Account |
| Department of Ecology | 051 | State & Local Improv. Rev. Acct (Waste Disp. Fac.) |
| 66 | 055 | State & Local Improv. Rev. Acct (Waste Disp. 1980) |
| " | 072 | State & Local Improv. Rev. Acct (Water Supply Fac.) |
| Dept. of General Administration | 045 | State Vehicle Parking Acct (East Plaza garage) |
| 66 | 350 | Capitol Historic District Acct (Legislative Building) |
| Department of Transportation | 099 | Puget Sound Capital Construction |
| 66 | 108 | Motor Vehicle Account |

Capital Allotments

| Agency Account Code | | Account Title | | | | |
|----------------------------|-----|--|--|--|--|--|
| " | 215 | Special Category C Account | | | | |
| " | 218 | Multimodal Transportation Account | | | | |
| " | 511 | Tacoma Narrows Toll Bridge Account | | | | |
| " | 550 | Transportation 2003 Account (Nickel Account) | | | | |
| Interagency Committee for | | | | | | |
| Outdoor Recreation | 070 | Outdoor Recreation Account | | | | |
| " | 244 | Habitat Conservation Account | | | | |
| Transportation Improvement | | | | | | |
| Board | 144 | Transportation Improvement Account | | | | |
| Various | 357 | Gardner-Evans | | | | |

5.6 Other allotment-related information requirements

Coordinate with
Department of General
Administration on public
works requests

Agencies who work with Engineering and Architectural Services (E&AS) must submit a Public Works Requisition (PWR) to the Department of General Administration prior to or at the same time as the allotment request is submitted to OFM. For additional information on work provided by E&AS or assistance with the preparation of Public Works Requisitions, please contact:

Division of Engineering and Architectural Services Department of General Administration P.O. Box 41012 Olympia, WA 98504-1012 (360) 902-7272

Coordinate with the Department of General Administration on LEED issues

Agencies should coordinate with the Energy Services Section of the Department of General Administration to obtain assistance with meeting LEED (Leadership in Energy and Environmental Design) requirements.

Coordinate the allotment of required arts expenditures with the State Arts Commission

RCW 43.17.200 outlines the procedure for the required purchase of artwork in capital projects. The statute applies solely to appropriations for the original construction of state-owned buildings and – in the case of higher education institutions – renovation costing more than \$200,000.

Capital Allotments

Agencies should consult with the Washington State Arts Commission on the most effective use of the artwork allowance by contacting:

Washington State Arts Commission P.O. Box 42675 Olympia, WA 98504-2675 (360) 753-3860

Coordinate with the Department of Information Services on information technology The Information Services Board (ISB) has authority over the purchase of all information technology (IT) investments made by executive and judicial branch agencies. The ISB may delegate this authority to agency directors. Please contact your agency's technology management consultant to ensure that you are in compliance with RCW 43.105 and the Information Technology Investment Policy. The investment policy and list of consultants can be found at http://www.dis.wa.gov/portfolio/200P.htm.

5.7 Facility inventory, annual maintenance summary, FTE and other reports

Provide updated facility inventory data and the Annual Maintenance Summary Report to OFM

All agencies that own or lease property are required to update and report site and facility data annually to OFM. Agencies with more than 150,000 square feet of state-owned space are also required to submit an Annual Maintenance Summary report. OFM will provide more information on the requirements and manner for reporting this data.

5.8 Allotment checklist for capital allotments

| Use a C001-899 packet type. Use C900 - C999 only for agency internal capital allotments (APS users only). |
|---|
| Establish appropriations in the appropriate fiscal year in APS or TAPS before allotting by month and object. |
| Ensure that the total of allotted, unallotted, and reserve for each appropriation matches the OFM Expenditure Authority Schedule (except for nonappropriated amounts). |
| When a packet is complete, confirm that the total appropriation established (transaction S1 for APS and 700 for TAPS) is equal to the totals in allotted, unallotted, and reserve for each appropriation. In other words, for APS users, the total S1 entry for each appropriation should be equal to the total D1+ and D1- entries plus amounts in unallotted and reserve. For TAPS users, the total 700 entries for each appropriation should be equal to the total 702 and 704 entries plus amounts in unallotted and reserve. |

Capital Allotments

| Enter capital project cash disbursements at the appropriation level, rather than by account. |
|--|
| Allot capital expenditures in the appropriate months throughout the biennium. |
| Ensure that the initial packet reflects allotments for all authorized spending for both appropriated and nonappropriated allotted accounts. Don't forget newly created accounts, or revenue estimates for new collection requirements. |
| Ensure that the nonappropriated allotted dollars match legislative assumptions. |
| Estimate by month on a realistic basis (not divided evenly by 24 months). Spread monthly estimates on historical patterns adjusted for expected changes in new funding. |
| Do not include encumbrances in capital allotments. |
| Ensure that federal and local expenditures are equal to the federal and local revenue estimates. |
| Adjust capital reappropriation allotments to reflect actual balances available once 2003-05 biennial expenditures are final, but not higher than what is legislatively authorized. |
| Submit updated C2 forms in CBS/BASS with each allotment request. |
| Submit updated FTE information in CBS/BASS. |
| Submit updated C100 forms for individual projects over \$1 million. |



Chapter 6

Preparing Allotments for Major Capital Projects

6.1 Major Capital Projects

What are major capital projects?

Major capital projects are single-construction effort projects that have a beginning and an end and either cost in excess of \$5 million or have been designated by OFM or the Legislature as having complex technical or program aspects. Agencies receiving appropriations for major projects follow special guidelines for allotment review and project approval. The steps in this process and the information required are designed to help keep projects within the limits and intent of the appropriation.

Major capital projects typically receive appropriations over two or more biennia depending upon the complexity and size of the project. A major project could receive appropriations for predesign, design services, construction and equipment purchases. The phased approach to allotments for major projects is designed to promote better project planning. Ongoing contact with OFM capital budget staff will promote a better understanding of major projects, and will expedite allotment approval.

Major project reports are due December 31 and July 1

Agencies administering a major capital project or projects specifically identified for this reporting requirement by OFM or the Legislature must submit a detailed progress status report to OFM and the fiscal committees of the Legislature each December 31 and July 1. The project report format is available on the OFM website at http://www.ofm.wa.gov/budget/forms.htm.

Submit updated Capital Project Summaries (C2) and cost estimates (C100) after the budget is enacted Agencies and institutions must submit updated C2 and C100 forms, with project scope, schedule and cost estimates, revised to reflect the enacted budget, to OFM as part of the initial allotment. The C2 is updated in CBS/BASS. The C100 cost estimate template is available on the OFM website at http://www.ofm.wa.gov/budget/forms.htm.

Agencies must submit additional information with allotments for different project phases.

Agencies must submit certain materials with the allotments at each major project phase. A description of these materials along with other special allotment considerations is described below.

Predesign study allotments

Allotment requests for predesign studies, when appropriated through the capital budget, should be submitted as an initial capital allotment package. Supporting information for the allotment request should include a statement about the conceptual understanding of the major capital project. Predesigns paid from nonappropriated funds do not require a capital allotment. For further guidance, refer to the OFM Predesign Manual at

http://www.ofm.wa.gov/budget/instructions/predesign/contents.htm

• Design services allotments

Allotments for design services should include updated C2 and C100 printouts from the agency's CBS/BASS. The updated project information should reflect the legislative intent of the appropriation.

Design allotments may be submitted after the predesign is approved by OFM and an appropriation for design is available. Allotments for design services may include the following items:

- Acquisition costs
- Consultant services
- Project management, artwork, and related projects

A value engineering study by an independent consultant team is required for each major project during the design phase. The agency must provide OFM with an executive summary of the recommendations that were accepted or rejected and the supporting reasons as part of the construction allotment. A constructability review is required for complex projects over \$1 million and for all major projects. See the Capital Budget Instructions or contact your capital budget analyst for an explanation of these requirements.



Chapter 12, Laws of 2005 (ESSB 5509) requires all state-funded projects with buildings over 5,000 square feet that have not entered into design phase prior to July 24, 2005 to be designed, constructed, and certified using the LEED (Leadership in Energy and Environmental Design) silver standard. Agencies must provide a summary of the LEED standards to be used in the project in the updated C2.

Construction allotments

Allotments for major project construction should include updated C2 and C100 printouts from the agency's CBS/BASS. The updated project information should reflect the legislative intent of the appropriation.

The structure of construction bids should be consistent across all agencies and institutions, with base bids reflecting a complete and

functional project. Provide the bid tabulation and identify separately the additive alternates that improve durability or serviceability of the project.

Construction allotments may be submitted once design is complete and an appropriation for construction is available. Allotments for construction funds may include the following items:

- Acquisition costs
- Consultant services
- Construction contracts
- Construction contingency
- Equipment, artwork, and other costs
- Project management and related projects

The agency must submit to OFM an executive summary of the recommendations of the value engineering study (completed during the design phase) that were accepted or rejected and the supporting reasons as part of the construction allotment.

• Equipment allotments

Allotments for furniture, fixtures, and equipment (FFE) may be submitted when the project is currently in or has completed the construction phase, and an appropriation is available. Capital expenditures for FFE must follow the equipment criteria as outlined in the Capital Budget Instructions at http://www.ofm.wa.gov/budget/instructions/capinst/05-15capinstr/section4.pdf

 All state agencies, including higher education, are required to purchase office furniture from the Division of Correctional Industries.

Here is contact information for Correctional Industries procurements:

Sales Manager Contract Administrator
Correctional Industries Office of State Procurement
P.O. Box 41115 P.O. Box 41017
Olympia, WA 98504-1115 Olympia, WA 98504-1017
(360) 753-4648 (360) 902-7400

 As with all mandatory contracts, purchasing goods or services from any other vendor other than through the state contract requires specific written exemption using the best buy process from the Department of General Administration's Office of State Procurement and is subject to audit. Additional information is available from:

> Office of State Procurement Department of General Administration P.O. Box 41017 Olympia, WA 98504-1017

- OFM will allot funds for the purchase of FFE upon review of the following:
 - A copy of the final architectural/engineering cost estimate for the FFE.
 - Certification that the requirements of RCW 43.19.534 have been met. The agency or institution will provide a copy of the approved "Exemption from Correctional Industries State Contract" form from the Department of General Administration if an exception is granted.
 - A listing of all FFE to be purchased.
 - An affirmation statement from the agency that the FFE purchases for the project will remain within the appropriation amount, and that all FFE required for start-up and operation of the new facility is included in the FFE purchases.
- Allotments for unfinished or "shell" space

The construction of unfinished or "shell" space within a facility is not approved unless specifically authorized by the capital appropriation bill.

 Unforeseen costs and contingency allotments

Reasonable amounts of funds will be allotted for contingencies based on the scope and complexity of the project. As the project proceeds, the amount necessary to cover unforeseen situations is expected to diminish as risk diminishes. Allotment approval for contingency funds is explicit approval to expend those funds only on unforeseen contingencies and not for extra work or additives. Initial distribution will be approximately 3 to 5 percent of the bid for new construction and up to 10 percent of the bid for major remodel and renovation work. If a portion of the contingency remains in reserve, additional allotments of contingency may be made upon written request to OFM.

Excess funds

Amounts appropriated but deemed unnecessary to complete the scope of a project will not be automatically available to the agency or institution to increase the scope or to buy additional equipment or for other purposes.

When will OFM review and approve these allotments?

OFM is committed to responding to properly justified requests within two weeks from receipt of the supporting information. To expedite this review, please contact OFM staff periodically and discuss progress on projects. Joint communication between agency and OFM staff can alleviate potential issues before they arise.

6.2 Alternative public works contracting

Allotment requirements for alternative public works contracting (RCW 39.10)

Generally, these requirements are tailored for the process of awarding public works contracts in lump-sum awards to the lowest responsive bidder. However, Chapter 39.10 RCW allows for Alternative Public Works Contracting under limited circumstances. Agencies and institutions choosing to utilize either the design-build or general contractor/construction manager (GC/CM) contracting procedures must contact their OFM capital budget analyst prior to releasing their initial allotment plan to clarify allotment instructions.

The following requirements must be met prior to requesting an allotment for alternative public works contracting procedures:

- Provide documentation that adequate public notification and an opportunity for public review and comment was conducted. The documentation should include a summary of the public comments received.
- Provide a copy of the final determination of which contracting procedure will be used. A concise statement of the principal reasons for selecting the preferred alternative construction method shall accompany this determination.



Appendices

A-1 Due Dates for Initial Operating and Capital Allotments

July 29, 2005

| 011 | House of Representatives |
|-----|---|
| 012 | Senate |
| 013 | Joint Transportation Committee |
| 014 | Joint Legislative Audit and Review Committee |
| 038 | Legislative Service Center |
| 040 | Statute Law Committee |
| 045 | Supreme Court |
| 046 | Law Library |
| 048 | Court of Appeals |
| 055 | Office of the Administrator for the Courts |
| 057 | Office of Civil Legal Aid |
| 076 | Special Appropriations |
| 080 | Office of Lieutenant Governor |
| 099 | Commission on Salaries for Elected Officials |
| 104 | Economic and Revenue Forecast Council |
| 118 | Commission on Hispanic Affairs |
| 119 | Commission on African-American Affairs |
| 122 | Personnel Appeals Board |
| 142 | Board of Tax Appeals |
| 144 | Municipal Research Council |
| 167 | Forensic Investigations Council |
| 205 | Board of Pilotage |
| 220 | Board of Volunteer Firefighters |
| 228 | Traffic Safety Commission |
| 250 | Indeterminate Sentence Review Board |
| 341 | LEOFF 2 Retirement Board |
| 377 | Spokane Intercollegiate Research and Technology Institute |
| 408 | Marine Employees Commission |
| 410 | Transportation Commission |
| 411 | Freight Mobility Strategic Investment Board |
| 462 | Pollution Liability Insurance Program |
| 550 | Convention and Trade Center |

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August 5, 2005

| 056 | Office of Public Defense |
|-----|---|
| 075 | Office of the Governor |
| 082 | Public Disclosure Commission |
| 086 | Governor's Office of Indian Affairs |
| 087 | Commission on Asian Pacific American Affairs |
| 090 | State Treasurer |
| 095 | Office of the State Auditor |
| 100 | Office of the Attorney General |
| 101 | Caseload Forecast Council |
| 105 | Office of Financial Management |
| 107 | Health Care Authority |
| 110 | Office of Administrative Hearings |
| 111 | Department of Personnel |
| 117 | Gambling Commission |
| 120 | Human Rights Commission |
| 124 | Department of Retirement Systems |
| 126 | State Investment Board |
| 130 | State Printer |
| 140 | Department of Revenue |
| 147 | Office of Minority and Women's Business Enterprises |
| 155 | Department of Information Services |
| 160 | Office of the Insurance Commissioner |
| 165 | Board of Accountancy |
| 185 | Horse Racing Commission |
| 190 | Board of Industrial Insurance Appeals |
| 227 | Criminal Justice Training Commission |
| 305 | Department of Veterans Affairs |
| 315 | Services for the Blind |
| 325 | Sentencing Guidelines Commission |
| 343 | Higher Education Coordinating Board |
| 351 | School for the Blind |
| 353 | School for the Deaf |
| 360 | University of Washington |
| 365 | Washington State University |
| 370 | Eastern Washington State University |
| 375 | Central Washington State University |
| 376 | The Evergreen State College |
| 380 | Western Washington University |
| 387 | Arts Commission |
| 395 | Eastern Washington Historical Society |
| 407 | Transportation Improvement Board |
| 460 | Columbia River Gorge |
| 467 | Interagency Committee on Outdoor Recreation |
| 468 | Environmental Hearings Office |
| 476 | Growth Management Hearings Board |
| 540 | Employment Security Department |
| 699 | Community and Technical Colleges |
| 701 | Treasurer's Transfers |
| 705 | Treasurer's Deposit Income |
| 740 | Contribution to Retirement Systems |
| | |

Appendices A-1

August 12, 2005

| 001 | State Revenues for Distribution |
|-----|---|
| 005 | Federal Revenues for Distribution |
| 010 | Bond Retirement |
| 020 | Legislative Evaluation and Accountability Program |
| 035 | Office of State Actuary |
| 050 | Judicial Conduct Commission |
| 085 | Office of the Secretary of State |
| 102 | Department of Financial Institutions |
| 103 | Department of Community, Trade and Economic Development |
| 116 | Washington State Lottery |
| 150 | Department of General Administration |
| 195 | Liquor Control Board |
| 215 | Utilities and Transportation Commission |
| 225 | State Patrol |
| 235 | Department of Labor and Industries |
| 240 | Department of Licensing |
| 245 | Military Department |
| 275 | Public Employment Relations Commission |
| 300 | Department of Social and Health Services |
| 302 | Home Care Quality Authority |
| 303 | Department of Health |
| 310 | Department of Corrections |
| 345 | State Board of Education |
| 350 | Office of Superintendent of Public Instruction |
| 354 | Workforce Training and Education Coordinating Board |
| 355 | Department of Archaeology and Historic Preservation |
| 390 | Washington State Historical Society |
| 405 | Department of Transportation |
| 406 | County Road Administration Board |
| 461 | Department of Ecology |
| 465 | State Parks and Recreation Commission |
| 471 | State Conservation Commission |
| 477 | Department of Fish and Wildlife |
| 490 | Department of Natural Resources |
| 495 | Department of Agriculture |

A-2 Allotment Forms

These forms are also available at http://www.ofm.wa.gov/budget/forms.htm.

| FORM B20-1 5/97 | 0-1 APPROVAL REQUES | | | | OFM LOG NO. | | DATE ASSIGNED | | |
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| ANALYSIS (to be | completed by requesting agenc | y) Attach add | ditional o | docume | nts or explanation a | s neces | sary. | | |
| YES NO | Can these funds be substituted If yes, describe savings and what if no, cite specific reason, regularity. | hether this amo | ount will b | e place | | j . | | | |
| | Does acceptance of these funds commit the state to further expenditures in a later period? If yes, indicate the probable source of future funding. | | | | | | | | |
| Will the activity supported by these funds generate a permanent program or service within state government? If yes, show the estimated budget. | | | | | | | | | |
| | FUND CODE SOURCE CODE BIENNIAL COST (Present \$) FTE | | | | | | | - | |
| | Indicate the specific plan for ter | rmination or co | ontinuatio | n of the | program beyond the ar | nticipated | I length of t | ime and fu | nding. |
| | REQUESTING AGENCY | | | | | FOR C | FM USE (| ONLY _ | |
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State of Washington Office of Financial Management

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| 3. Square feet of facility attachment to this possible. Age (*) Less than 10 years Between 10 and 30 Over 30 years * Based on date of cons FACILITY MANAGEME 4. Expenditure history Maintenance Preventative/Predictive | ties in each of olicy. Superior truction or late | Function the following ca Adequate est date of a ma year for state of | Meeds Improvement in the state of the state | on condition Vant De | n definitions | No Assessment |

6/01

^{*}Above costs do not include janitorial, landscape maintenance, and other operating costs such as refuse and recycling, parking management, boiler plant operations, law enforcement and security, property management, visitor information, tour services, fire protection, life safety services, etc.

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|---|--------------------------|----------------------|-------------------|--|--|
| AGENCY/INSTITUTION | | | DATE// | | |
| . Do you operate a computerized System Name | - | | ☐ Yes ☐ No | | |
| . Identify state funded operating | budget FTEs | | | | |
| Prior year maintenance staff | | | (FTE) | | |
| Current year maintenance staff | | | (FTE) | | |
| Future year maintenance staff | | | (FTE - estimated) | | |
| What is the percentage of infra | structure in each of the | following categories | ? | | |
| | Superior | Adequate | Needs Improvemen | | |
| | % | % | % | | |
| oads and Walks | | | | | |
| ewers | | | | | |
| ater Distribution | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| team and Condensation Other . Are there any specific operating budget preservation initiatives in the second control of the second | | | ☐ Yes ☐ No | | |
| Are there any specific operating budget preservation initiatives is | | | □ Yes □ No | | |
| Are there any specific operating budget preservation initiatives be | | | □ Yes □ No | | |
| Are there any specific operating budget preservation initiatives be | | | □ Yes □ No | | |
| Are there any specific operating budget preservation initiatives is | | | ☐ Yes ☐ No | | |
| Are there any specific operating budget preservation initiatives is | | | □ Yes □ No | | |
| Are there any specific operating budget preservation initiatives is | | | □ Yes □ No | | |
| . Are there any specific operating budget preservation initiatives by | | | □ Yes □ No | | |
| . Are there any specific operating budget preservation initiatives by | | | □ Yes □ No | | |
| Are there any specific operating budget preservation initiatives is | | | □ Yes □ No | | |

This form is to be filled out by agencies that have more than 150,000 gross square feet of state owned space. In addition, agencies with multiple program locations will also be asked to complete a separate maintenance survey for each site/institution with more than 150,000 gross square feet of state owned space.

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Definitions to be used for questions 3 and 7.

| FIS Condition Code | Description | General Criteria/Guideline |
|--------------------|-----------------------------|--|
| 1 | Superior | New construction, major remodel, or recently refurbished systems and finishes. Maintained adequately with routine maintenance Little or no corrective maintenance required Little or no deferred maintenance |
| 2 | Adequate | Finishes are generally worn but major systems and overall facility is in reasonable shape Maintained adequately with routine maintenance Some minor works projects proposed to upgrade system components and finishes Beginning to see some corrective maintenance Relatively small amount of deferred maintenance |
| 3 | Needs Improvement | Facility has potential for imminent systems failure or is facing large repair cost Facility requires substantial maintenance effort Increased demands for corrective maintenance Substantial deferred maintenance |
| 4 | Vacant Building | Facility may be minimally occupied or used for a less technical requirement, i.e., storage The future use or demolition of the facility has not be determined, facility may be salvageable Facility is maintained to a limited degree (mothballed), but is kept dry and heated Major amount of deferred maintenance |
| 5 | Scheduled for Demolition | Occupied or vacant and scheduled for replacement or demolition within 10 years Only maintenance or repairs are those that are absolutely necessary for public safety or for continued limited use |
| 9 | No Assessment Made | No condition assessment has been made This is the default entry in the Facility Inventory System if a rating is not supplied |

This form available electronically at: http://www.ofm.wa.gov/budget/forms.htm

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A-3 Glossary of Allotment-Related Terms

Account—A fiscal and accounting entity with a self-balancing set of general ledger codes in which cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, are recorded and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. For reporting purposes, the state identifies major accounts, and administratively combines all remaining accounts into roll-up funds.

Account Code or Number—The three-character alpha/numeric code assigned by OFM to identify each account.

Accrual Basis—The basis of accounting whereby revenues are recognized when they are earned and measurable regardless of when collected; and expenses are recorded on a matching basis when incurred. All proprietary and fiduciary funds use the accrual basis of accounting.

Accrued Expenditures—Expenditures that meet the appropriate recognition criteria of the account type involved but that have not been paid. Accrued expenditures are expected to be paid in a subsequent accounting period.

Accrued Liabilities—Liabilities reflecting the obligation to pay for goods or services that have been incurred or received but not paid for by the end of the accounting period. Accrued liabilities related to refunds of revenue are offset to the revenue originally recorded.

Accrued Revenues—Revenues that meet the appropriate recognition criteria of the fund type involved, but are not realized until a subsequent accounting period. Also refer to Accrual Basis and Modified Accrual Basis.

Allocation—A part of a lump-sum appropriation that is designated for expenditure by specific governmental units and/or for specific purposes, activities, or objects. For example, the Legislature may provide a lump-sum appropriation to OFM for allocation to agencies on an asneeded basis, or according to specified criteria.

Allotment—An agency's plan of estimated expenditures, revenues, cash disbursements, and cash receipts for each month of the biennium.

Appropriation—The legislative authorization to make expenditures and incur obligations from a particular account. Appropriations typically limit expenditures to a specific amount and purpose within a fiscal year or biennial timeframe.

Appropriation Type—The designator that identifies the nature of the spending authority such as state, federal, private/local. See SAAM 75.50.10.

Biennium—A two-year fiscal period. The Washington State biennium runs from July 1 of an odd-numbered year to June 30 of the next odd-numbered year.

Budget Drivers—Caseload, economic, or demographic factors that have a significant effect on the state budget. Examples include inflation rate changes, and state population changes in certain age groups.

Budget Notes—A legislative fiscal staff publication that summarizes the budget passed by the state Legislature. This publication is usually distributed a few months after the end of the legislative session. Budget notes provide guidance but are not legally binding.

Budgeted Accounts—Accounts that are subject to the appropriation and/or allotment process.

Building Renewal—Improvements to facilities, usually to the building envelope or within the building footprint, to prevent deterioration and maintain use of the facility.

Capital Budget and Ten-Year Capital Plan—The long-term financing and expenditure plan for acquisition, construction, or improvement of capital assets such as land and buildings, and for programs that accomplish facility improvements. The capital budget is included in an appropriation bill for a specific biennium; the Ten-Year Capital Plan is proposed by the Governor, but not enacted into law.

Capital Policy and Communications Committee (CP/CC)—A committee organized by OFM that includes representatives of major agencies with capital projects, universities and colleges, the design and engineering profession, and the contracting industry. The committee meets throughout the year to provide a forum for discussion of capital budgeting and project delivery issues common to all organizations, and undertakes analyses and makes recommendations regarding specific issues. Meetings are open to all agencies.

Cash Disbursements—Cash disbursements are any moneys (e.g., checks, cash, warrants, or Electronic Fund Transfers (EFT)) paid by the state during a period regardless of when the related obligations are incurred.

Cash Receipts—Cash receipts are any moneys (e.g., checks, cash, warrants, credit or amounts, or EFTs) received by the state during a period regardless of when the moneys are earned.

Construction Management (CM)—Involves a contractual arrangement in which an owner employs an agent-consultant called a construction manger to coordinate and manage all of the construction trades. This additional management expertise is usually used on larger, more complex construction projects. However, an owner on a smaller project may retain a construction manager for that person's construction expertise to act as the representative for the owner on the project.

Corrective Maintenance—Unscheduled repair or replacement of equipment, systems, or components of facilities that require immediate action to restore service or repair problems that will interrupt building service or agency activities. This work is normally funded from the operating budget.

Cost/Benefit Analysis—An analysis in which consequences of the investment are measured in or converted to economic terms and quantitative benefits.

Cost Estimating—An element of basic services in an architect/engineer (A/E) agreement that includes an estimate of construction cost from quantity surveys and unit costs of building elements for the project. Cost estimates shall include the elements of work to complete the project, all costs and fees and taxes necessary to complete the work, plus appropriate construction estimating contingencies to cover unidentified costs necessary to complete the project. Interactive cost estimating is additional work beyond basic services in which additional design alternatives are estimated. Independent cost estimating, if needed, covers cost estimates by an independent third party contracted with the owner and used to validate cost estimates prepared by the A/E.

Debt Limit—Washington State's legal restriction (RCW 39.42.060) on the amount that can be paid for debt service on bonds, notes, or other borrowed money. The law states that the maximum level of payments of principal and interest on bonds issued cannot exceed 7 percent of the arithmetic mean of general state revenues for the three preceding fiscal years. The State Constitution (Article 8, Section 1(b)) contains a similar, but higher, debt limit of 9 percent of revenues.

Dedicated Accounts—Accounts set up by law to receive revenue from a specific source and to be spent for a specific purpose.

Deferred Maintenance—A backlog of activities that agencies deem necessary to bring facilities into good repair. Deferred maintenance is generally work that is left undone due to the lack of resources, or perceived lower priority than projects funded. Failure to perform deferred work may result in the progressive deterioration of the facility condition or performance, and if not addressed, will significantly increase restoration cost.

Designer—A party to a contract to provide professional design services, often an architect or professional engineer. Also, one (individual or corporate) who performs the design function in construction, as a package deal, a turnkey project, or a development management project.

Economic Life—In the context of cost/benefit analysis, this refers to the span of years necessary to compare similar costs of operating and maintaining alternative solutions. It may not necessarily equate to the time required to fully depreciate the structure. The economic life span should be the same for each alternative for a project. The period of time, extending from the date of installation to the date of retirement for the intended service over which a prudent owner expects to retain the property in order to obtain a minimum cost.

Entitlement—A service or grant that, under state or federal law, must be provided to all applicants.

Expenditure authority—Permission for agencies to disburse moneys or accrue liabilities during specific fiscal periods, up to specified amounts, from specific accounts. Authority is provided by the Legislature, through appropriations or inclusion of nonappropriated account moneys in the legislative budget, and by the executive through allocations, approval of unanticipated receipts, or across-the-board spending reductions.

Expenditure Authority Schedule—A listing prepared by OFM of all dollar appropriations (by agency and account) contained in legislation, along with an assigned code for use in allotment preparation and other accounting requirements.

Expenditures—Decreases in net current financial resources. Expenditures include disbursements and accruals of the current period. Expenditures do not include encumbrances.

Facility Improvements—These include initial construction, punch-list items, retrofits, alterations, remodeling, renewals, tenant improvements, renovations, adaptations and code improvements for a facility.

Facility Preservation—This is work that improves or restores the operational and service capacity to extend the useful life of a facility, but does not significantly affect the programs and services housed within the facility. This work generally differs from ordinary maintenance in the extent and cost of the work undertaken. The distinction between ordinary maintenance and preservation is made for the purpose of segregating these types of projects by funding source, either operating or capital budget.

Fiscal Year—A one-year fiscal period. The Washington state fiscal year extends from July 1 through the next June 30. The federal fiscal year runs October 1 through September 30. The city/county fiscal year runs January 1 through December 31.

Fiscal Note—A statement of the estimated fiscal impact of proposed legislation. This cost estimate is usually developed by the state agencies affected by the bill, and then approved and communicated to the Legislature by the Office of Financial Management.

Full-Time Equivalent (FTE)—As a unit of measure of state employees: refers to the equivalent of one person working full-time for one year (approximately 2,088 hours of paid staff time). Two persons working half-time also count as one FTE. As a unit of measure of students in K-12 or higher education facilities: refers to the equivalent of one student attending class full-time for one school year (based on fixed hours of attendance, depending on grade level).

Funds—A term that generally refers to moneys or resources.

Fund Balance—The amount of resources remaining in an account that is available to be appropriated or otherwise committed.

Fund Code—The account code plus the appropriation type.

Fund Type—One of 11 classifications into which all individual accounts can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

General Obligation Bonds—Bonds whose repayment is guaranteed by the "full faith and credit" of the state.

General Fund-State—The *general fund* represents all financial resources and transactions not required by law to be accounted for in other accounts. *General Fund-State* (GF-S) refers to the basic account that receives revenue from Washington's sales, property, business and occupation, and other general taxes; and is spent for operations such as public schools, social services, and corrections.

(Capital) Improvement—A legal term referring to anything erected on and affixed to land (e.g., buildings, roads, fences, and services), which legally becomes part of the land, according to common law and statutory definition.

Life-Cycle Cost Analysis—The identification of a total life-cycle cost of a capital project. Life-cycle cost analysis is defined as the programmatic and technical considerations of all cost elements associated with capital facility alternatives under consideration. These cost elements may include any or all of the following; Capital Investment Costs, Financing Costs, Operations Costs, Maintenance Costs, Alternations Costs, Replacement Costs, Denial of Use Costs, Lost Revenue, and Associated Costs. Life-cycle costing is used to identify alternatives that minimize the total cost of a decision by selecting the correct designs and components to minimize the total cost of service, not only the first cost. For instance, changes to the preliminary design might increase initial costs but lower operating costs and thereby reduce total costs.

Maximum Allowable Construction Cost (MACC)—A cost that the owner stipulates to the design consultant before design begins. The MACC is the owner's budget for the construction cost of the project and the designer agrees that the design solution will not result in construction costs that exceed this amount.

Major Projects—Those projects that cost \$5 million or more, or projects that are identified by OFM or the Legislature as major projects. This determination could be based on the project meeting any of the following criteria: a high degree of risk in successful project completion, particularly costly elements, a particularly tight design budget or short design schedule, or incorporation of state-of-the-art technology.

Modified Accrual Basis—The basis of accounting under which expenditures, whether paid or unpaid, are formally recognized when the liability is incurred against the account, but revenues are recognized only when they become both measurable and available to finance expenditures of the current accounting period. All governmental funds use the modified accrual basis of accounting.

Nonappropriated Funds—Moneys that can be expended without legislative appropriation. Only funds in accounts specifically established in state law as being exempt from appropriation fall into this category. Nonappropriated accounts can be either budgeted (and subject to OFM allotment approval) or nonbudgeted.

Nonbudgeted Accounts—Accounts that are not subject to inclusion in the governor's or the legislative budgets, are nonappropriated and nonallotted.

Normal or Ordinary Maintenance—A systematic day-to-day process generally funded by the operating budget to control the deterioration of facilities, e.g., structures, systems, equipment, pavement, and grounds. This includes the following:

- a) Corrective maintenance, see definition above.
- b) Preventive and predictive maintenance planned or scheduled to extend the life and retain the usable condition of facilities, systems and equipment.

Operating Budget—A biennial plan for the revenues and expenditures necessary to support the administrative and service functions of state government.

Operations and Service Costs—The costs of the regular custodial care, utilities, refuse and recycling services, parking management, boiler operations, law enforcement and security, property management, visitor information, tour services, fire protection and life-safety services, including salaries of facility staff performing these tasks.

Owner—The first party to the construction contract, who pays the contractor (the second party) for the construction work; also, the party who owns the rights to the land upon which the work is done and who, therefore, owns the work; also, the client of a designer, a construction manager, a project manager, or a development manager.

Performance Measure—A quantitative indicator of how programs or services are directly contributing to the achievement of an agency's objectives. These indicators may include measures of inputs, outcomes, productivity, and/or quality.

Predictive Maintenance—A refinement to preventive maintenance that integrates scheduled maintenance with system monitoring and analysis (e.g. vibration analysis, thermal/energy analysis) to identify inefficient operation or imminent breakdown. Predictive maintenance ideally reduces the cost of maintaining components that are working adequately by prolonging life and avoiding costly repairs.

Preservation Project—Projects that maintain and preserve existing state facilities and assets, and do not significantly change the program use of a facility. Examples would include roof replacement and exterior renovation, utility system upgrade, repairing streets and parking lots. See definition of facility preservation.

Preventive Maintenance— A maintenance strategy where inspections are made or actions are taken on a scheduled basis to reduce service interruptions, extend the life and retain the usable condition of systems and equipment, and continue efficient operations. Actual inspection and maintenance is performed on pre-specified schedules established by the manufacturer or facility manager.

Proviso—Language in budget bills that places a condition on the use of appropriations. Example: "Up to \$500,000 of the General Fund-State appropriation is provided solely for five additional inspectors in the food safety program."

Program Projects—Projects that are intended to accomplish a program goal such as changing or improving the use of existing space, or creating a new facility or asset through construction or purchase. These projects may have a major impact on future operating budgets — such as the construction of a new prison or university branch campus.

Programming—The work necessary to define the scope of a project through understanding the activities and spatial relationships within a facility. This phase begins with an evaluation of existing program spaces and determines the best arrangement of a new or remodeled structure to deliver a program.

Project Delivery System—Method of how an owner plans to contract for a project, i.e. design/bid/build, design/build, GC/CM, etc.

Real Property—Property that is fixed, immovable, and permanent. Real property includes land, structures affixed to the land, property affixed to the structures, and in some cases, things growing on the land.

Reappropriation—Capital budget appropriation that allows for continued use of the unexpended portion of previously appropriated funds. Because capital projects often overlap fiscal periods, it is necessary to reauthorize some expenditures for project completion.

Reserve, or Fund Balance—In budget terminology, the difference between budgeted resources and expenditures.

Reversion—Unused appropriation authority. If an agency does not spend all of its appropriation in the timeframe specified by the budget, the authorization to spend that dollar amount expires.

Schedule of Values—A schedule breakdown on a month-to-month basis by the contractor to show the intended percentage of completed work by the construction trades. The schedule of values is derived to base the amount of the request for payment by the contractor.

Subcontractor—A party to a subcontract who does trade work for a contractor (the other party), which work is included under the prime contract between the same contractor and an owner; one who is defined as a subcontractor by the prime contract.

Suspense Expenditure Codes—Expenditure authority codes authorized by OFM to temporarily account for program expenditures until the correct appropriation to be charged is known. Agencies are required to use these codes for such temporary accounting needs and should move expenditures out of the suspense code and into the proper code and account the following month.

Supplemental Budget—Any legislative change to the original budget appropriations.

TALS—This stands for The Allotment System, the new system scheduled for completion in 2007.

Useful Life—An estimate of the total time that an asset is usable and in service.